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QIUSHI [SEEKING TRUTH]

No 7, 1 October 1988

Invention and Innovation—Lever To Invigorate the Economy

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[Article by Wu Heng 2976 5899]

[Text] The Beijing International Invention Exhibition will be held from 5 to 13 October, 1988. The World Intellectual Property Organization (WIPO) and the International Federation of Inventors Associations (IFIA) will also jointly hold an international conference on creativity and the promotion of invention activities in Beijing from 10 to 14 October. The IFIA annual meeting will take place in Beijing at the same time. Invention and innovation have received much attention from countries the world over and attracted more and more science and technology workers and youths. The key reason for this is that they are powerful levers for invigorating the economy and tapping intelligence. China is a developing socialist nation in which it is imperative to encourage invention and innovation in order to promote social and economic progress. It needs to learn from the advanced technology, pragmatic invention, and innovative spirit of foreign inventors.

I

Invention and innovation are the most active factors in promoting economic and technological progress. They can improve production and living conditions and raise labor productivity. According to the Marxist perspective, new technology and invention come from the needs of social production, and their emergence will in turn promote the development of social production or even social progress by changing the ideology and superstructure. The tremendous impact of the four major inventions in ancient China is recognized by the whole world. The invention of the steam engine and spinning machine in Britain led to the industrial revolution in Europe. During the last half century, numerous inventions have led to a new technological revolution and changes in the industrial structure. Countless historical facts show us that invention has propelled the advance of human history and no matter how highly we assess the value of invention, it cannot be excessive.

Invention is, first of all, thought or creative mental labor, its features being the wise use of scientific principles and technological knowledge to create advanced products or methods to apply to production or living. The results of invention are innovative, advanced, and applicable. Since invention and innovation are increasingly valuable in scientific and technological progress and social development, it has been an important policy of governments in all countries since the beginning of this century to encourage invention and compete for new technology.

Governments are willing to buy the results and patents of inventions at high prices, and entrepreneurs in all countries see the application of the results of inventions, and the development and use of new technology, as important means of survival and development.

China is at the initial stage of development, with a lower level of production technology than developed nations. We need not only to use existing advanced world technology to change our enterprises, but also to emphasize and use new inventions to catch up. We should avoid only taking the old roads of other countries and we must develop at high speed an economy with high quality and high results, and narrow the gap between China and the developed nations. Therefore, to actively explore inventive activities is an important channel in accelerating scientific and technological progress and invigorating the national economy.

The Chinese socialist system provides the social environment and conditions for the people to fully demonstrate their intelligence and skills. However, all innovations encounter one obstacle or another, either because people are not used to them and do not know them, or because they are in conflict with the interests of some.

In the 30 years and more since the founding of the PRC, many good inventions and innovations have been promoted and put into use, but many have not for one reason or another. This is a pity and does not seem to be in line with our socialist system. For this reason our party and people's government are making an effort to promote inventive activities to serve the nation.

The widespread and in-depth promotion of inventive activities by the masses will lead to new technology and products for the society. Large numbers of talented personnel will emerge to raise the quality of the laborer and the level of knowledge of the entire society. China is a large country with a population of more than 1 billion, of whom about 0.3 billion have attained secondary education or above. If the latter make good use of their knowledge and are good at observation and pursuing, they will be able to invent new things. Many people do not invent within their occupation. Many inventors do not possess much technological knowledge but still realize high-level inventions. It is only later that they become experts with sophisticated technology through practice. Such examples abound in the history of invention. We should use all kinds of methods to mobilize the people's initiative to invent and attract them to the domain of invention to prove their talents. In his report to the 13th party congress, Comrade Zhao Ziyang stated that "fundamentally speaking, the development of science and technology, the invigoration of the economy, and even the progress of the whole society all depend upon raising the quality of the laborer and training large numbers of qualified personnel." Inventive activities of the people are precisely a large societal school to train and tap talent and to raise the quality of the laborer.

The age of invention will never end and inventive activities by the masses will never cease. We must actively promote the inventive activities of the people under the guidance of the spirit of the 13th Party congress so as to make full use of them to prepare for economic construction strategies and to realize our socialist construction.

II

Our party and people's government have always attached importance to activities leading to invention and innovation. As early as the Anti-Japanese War, "to encourage and award improvement and invention in production technology" was an important item in the administrative program of the border areas in Shaanxi, Gansu, and Ningxia, and other democratic bases against Japanese invasion. After the founding of new China, the Common Program of the Chinese People's Political Consultative Conference promulgated that "scientific invention and discovery and the popularization of scientific knowledge will be awarded." In the early 1950s, the Government Administration Council of the Central People's Government declared three resolutions and regulations on awards for inventions and reasonable proposals, and the protection of an inventor's patent rights. During the time when the above regulations were in force, China granted inventor's patent rights or patent rights for a number of inventions, including Hou Debang's method of making alkali. This had a positive effect on encouraging the people's activities leading to invention and innovation.

During the 10 years of upheaval scientific and technological work was seriously dampened. The state laws and regulations encouraging invention and innovation were abandoned and the initiative of the people in invention and innovation was suppressed in the extreme. After shattering the Gang of Four, the state revised and re-issued "PRC regulations on Awards for Inventions" and implemented the "PRC Patent Law" to restore and develop inventive activities. The PRC Constitution also stipulates that "the state develop national and social sciences, popularize scientific and technological knowledge, and award results of scientific research and technological invention and innovation." The inclusion of scientific development and awarding invention and innovation in the state constitution, and the establishment of the system of awarding invention and innovation and that of patent protection, have greatly mobilized the people's initiative for invention and innovation. Numerous results from inventions have emerged and proved to be influential on society and economically sound. Since 1978, 1344 items have received state awards, and they have played an important role in invigorating China's economy.

Nowadays, the award system on invention and innovation and the patent protection system are like policies and laws that are taken for granted. However, they went through a zig-zag course before reaching their present

state. In summarizing the lessons learned from history, the report to the 13th Party Congress pointed out that "in the past, many socialized and modern things were favorable to the development of productivity and commodity production, yet they were opposed as 'capitalist restoration.'" Due to the influence of leftist guiding thought and the ossified concept of polarizing the planned economy and the commodity economy, society at large at that time did not attach enough importance to science and technology, nor to administering and guiding work on invention and innovation according to the law of the commodity economy. In the past, inventions and innovations by the masses were criticized as an individual making a name for himself, and the patent system was perceived to be a social corruption unique to capitalism. Results of inventions by individuals were taken but the inventors were not compensated, or they were distributed on an egalitarian basis. This suppressed the people's initiative and creativity in invention and innovation and caused a tremendous waste of intelligence. Today, with the shattering of ossified concepts and the in-depth reform of the economic and political structures, the work on invention and innovation is protected by law. There is more legislative protection for active invention and innovation by the people. This helps to fundamentally change the social environment for invention and innovation. It is a measure that promotes the active development of work on inventions.

There are no national boundaries for technology and invention. They are the common wealth of mankind and they should be developed during our opening up to the outside. Since 1985, the China Inventions Association has held three national inventions exhibitions which have received much interest and support from the party and the government, and have attracted international attention. The results have been highly positive. In several international inventions exhibitions, foreign friends held our inventions in high esteem. We have won increasing numbers of awards for our exhibits in these exhibitions, and on each occasion we won a higher proportion and a larger number of awards than other countries. We have demonstrated the Chinese people's intelligence and ability in invention and innovation on the international stage. This is encouraging to the Chinese people and inventors. At the same time it helps our science and technology workers to understand new directions in the development of science and technology in the world. They gain exposure, knowledge, and advanced technology. Usually technological trade activities go with international inventions exhibitions. Each time we take part in an exhibition, we try to investigate possibilities for exporting our technology and new products, and we attain the goal of winning awards, earning foreign exchange, and learning. Competition in technology among nations is extremely keen today. Our participation in international inventions exhibitions is, in effect, participation in international technological competition. Such participation gives our invention activities new vitality. However, the number of people who can go abroad to participate is limited after all. Therefore, in

holding an international inventions exhibition China can invite foreign inventors and introduce results from foreign invention and patented technology to China. Competition, assessment, and technological trade activities can be held in China, and more Chinese science and technology workers and inventors can learn new things from international inventive activities. Chinese enterprises can also selectively absorb advanced foreign technology.

III

Since the 3d Plenary Session of the 11th Party Central Committee, activities leading to invention and innovation by the masses have increased. The number of inventors, the quality of invention results, the number and speed of inventions, the economic effects, and the substance of inventions surpass any other time since the founding of the PRC. We can say that the present is the peak of invention and innovation activities by the masses.

The present state did not come about easily. The reason we are in the present state is, I believe, mainly due to the implementation of the guiding thought put forward in the 3d Plenary Session of the 11th Party Central Committee in the field of science and technology. The guiding thought is "to liberate our thinking, activate our minds, seek truth from facts, and unite and be forward-looking." It proposed and established some new concepts and adhered to the direction of reform and opening up. To accept a new challenge from the international technological revolution, meet the imperative need of China's economic construction, and to overcome the leftist influence from the past, we have to formulate a series of policies, systems, and laws that agree with China's reality. We must also maintain and develop this good tendency and spread such thinking, concepts, policies, and practice so that people will know them well.

1. Respect Inventive Personnel.

Historically, inventors are people who possess specialized technological knowledge but go off the beaten track in search of innovation. The results of their inventions have had a profound impact on social production and life. The numerous results of inventions that have emerged in China in recent years have created tremendous wealth for the society. Some inventions have helped enterprises on the verge of bankruptcy to recover and reinvigorate themselves. Some have played an important role in changing villages and backward areas, while others have received international acclaim and won glory for the country. The whole society should respect inventors and value their labor. However, because of its special nature inventive work is not easily understood and does not enjoy the respect that it deserves. Inventors are even discriminated against, envied, or suppressed. This phenomenon is abnormal.

We must urge people to respect inventors and their activities and provide a suitable social environment and the essential work conditions for them. We should value and love their innovative ideas and help them with these ideas. "It is not enough to mobilize the initiative of workers in science and education. We must give them conditions necessary for creation and realistically help them to resolve concrete problems." ¹ In this way we can produce numerous talented people and their results.

We should also actively publicize the tremendous social and economic results of invention and appropriately assess them so that society will understand the meaning and effect of invention and innovation on socioeconomic development.

2. Reward the Results of Invention.

Inventors should be commended and rewarded for their contribution to society and the socioeconomic results of their inventions. However, egalitarianism and the idea of eating from the same big pot still often interfere with the distribution of bonuses for inventions. After the 10 years of upheaval, when invention bonuses were awarded for the first time in 1979, the bonuses for certain inventions were not distributed for a long period of time. Some work units had to distribute them equally among all who participated in work and the chief inventors got little. Sometimes the inventors were isolated after they received a bonus and had to face people's jealousy and sarcasm. With the deepening of the reform there is less and less market for absolute egalitarianism and the abnormal phenomenon in bonus distribution is disappearing. In all inventions exhibitions, inventors have enjoyed the interest and commendation of party and state leaders and the support and praise of the masses which is encouraging to them. We should adhere to the principle of socialist distribution, thoroughly execute the party and state's award policy, and ensure that inventors benefit from reasonable distribution of bonuses. Inventors should feel it is legitimate to receive rewards from the state, creating a good social atmosphere which approves of rightful credit, glory, and reward for inventors. Inventors who have made contributions to society should feel happy and proud of themselves and feel good about participating in their work.

3. Implement the Patent System.

We should protect the legal rights of inventors and give them patent rights in exchange for their consent to allow society to use the technology they have invented. This will encourage inventors and promote social progress. However, due to the longstanding influence of leftist thinking many people still maintain that invention results should belong to the whole people, and that any work units or individuals can freely use the results of other people's invention if they need to. This will seriously dampen the initiative of the people for invention and innovation, and hinder enterprises' support for

activities leading to invention in their own units. In 1978, Comrade Deng Xiaoping instructed us to establish a patent system in China, but we encountered a great deal of obstruction in preparing for it. Apart from the above ideological reason, there were other problems. For example, for a long time our technology relied on imports and our products on imitation. We did not attach any importance to domestic invention and innovation and did not respect our own talents. In foreign trade, because China does not enjoy patent protection, foreigners often used our inventions and applied for patents. They then prohibit the export of the Chinese products, their sale on the international market being viewed as "violations against patent rights." When we try to introduce foreign technology into China, foreigners demand a technological transfer fee which is several times higher than it should be. Their excuse is that we do not have a patent protection system. In the process of opening up to the outside China promulgated the "PRC Patent Law" to protect the results of the labor of Chinese inventors from abuse by foreigners, and accelerated the commercialization of technological results. The aim of the law is to protect inventors' rights and promote the introduction of advanced foreign technology into China.

The implementation of the patent protection system helps to fully utilize international and domestic technological resources and to develop our economy and technology with good results. There are over a million items of advanced technology and patents in the world at present, and they are increasing at the rate of 15 percent annually. From the implementation of the patent system in China to the end of August 1988, the State Patent Bureau has accepted applications for patent rights for 80,676 items. By the end of April 1988, 14,147 items had been granted patent rights, of which 809 were patented inventions, 11,975 were patented practical new models (or minor inventions), and 1,363 were patented for their external design. All these major and minor inventions played a crucial role in the development of our economy and technology and in boosting our confidence and pride. A patent system with Chinese characteristics will definitely be further developed and effectively protect the intellectual property of our inventors in international competition.

4. Technological Transfer With Compensation

Invention activities call for investment, material resources, and labor. Although the results differ from commodities in general, they still possess some commodity attributes. However, due to our longstanding uniform planning system, people have never known and understood the commodity attributes of the results of inventions. Since technology is a commodity we should establish a market for it and allow its transfer with compensation. To possess the inventions of others without paying them does not agree with the law of the development of the commodity economy and is unfavorable to technological development and social progress.

Results of inventions have two commodity attributes—use value and value. They have the connotations of both concrete and abstract labor. Only when results of inventions have become commodities and have entered the technological market, realized their value, and enjoyed buyers' acceptance and social recognition can they be transformed into productive forces. In the past the state invested in research, experimental production, testing, and industrial exploration. Scientific research units and industrial enterprises were in a passive position. They did not have any impetus and were not under any pressure to develop new products and use new technology. On the other hand financial constraints limited the ability of the state to utilize all the results of inventions. Even if finance was not a problem, the state could not and should not take care of all the needs of the enterprises. As a result, inventions with high economic value were put aside indefinitely. They could not produce their socioeconomic results and it is unfortunate that they were wasted. The "Resolution by the CPC Central Committee on Science and Technology System Reform" reaffirms the great importance of the technological market on the development of the socialist planned commodity economy. Practice has proved the correctness of this resolution. China began to implement the "Technological Contract Act" on 1 November, 1987 in order to provide a legal framework for activities in our technological market. The development of technological trade is encouraged under the principle of volunteering, equality, mutual benefits, compensation, honesty, and credibility. Comrade Zhao Ziyang reiterated in the report to the 13th party congress that we must "promote the development of the technological market and the process of turning technological results into commodities, and shorten the cycle of applying scientific research results to production." To view the technological market as a component of the market economy agrees fully with the objective reality in China and the needs of international technological transfers.

With the deepening reform, opening up, and reinvigoration of the economy, technology as a commodity is gradually circulating in our economic life. We are delighted to see the ascendancy of the technological market, the shortened cycle in the application of invention results, and the emergence of many new forms of transferring results for application. For example, the inventor uses the results of his invention as capital and invites those who apply to use them to buy shares. The inventor runs the enterprise himself and is both inventor and entrepreneur. Science and technology personnel sign agreements with factories to apply the results of inventions to production. Enterprises provide the funds for application and both parties share the results. These practices have produced positive effects. According to statistics, by 1983 the value of technological transfer in China had reached 30 million yuan, and by 1987 the value of technological transfer contracts had reached 3.35 billion yuan. The growth has been rapid. However, such a growth rate does not match the demand for

technological transfer by the numerous industrial enterprises, enterprises in villages and towns, and agriculture. There is great potential for development.

The Chinese people are proud of their inventions of old which made great contributions to the development of mankind. In the 30 years and more since the founding of new China, we have accumulated both positive and negative experiences in leading and organizing science and technology work and activities leading to inventions. Since the 3d Plenary Session of the 11th CPC Central Committee, we have further improved our directions and policies on guiding inventions, and formulated a series of laws favorable to inventions. The party's policy of reform and opening up has also brought a new vitality to activities leading to inventions. All this has played a major role in promoting activities leading to inventions in China. We are building socialism with Chinese characteristics. We have an imperative need for unique innovations by inventors and can create for them the best social environment and opportunities most favorable for success.

Footnote

1. *Selected Works of Deng Xiaoping*, p 53.

On Scientific Spirit

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[Article by Chen Changshu 7115 2490 2562]

[Text] When we speak of scientific spirit, it refers to the consciousness and attitude people should have in scientific activities. The conviction, will, temperament and qualities which scientific workers have in the process of continually resolving the contradiction between that which is known and that which is not, between experience and theory, between the correct and the erroneous and between cognition and practice, all come under the category of scientific spirit. Scientific spirit is a guarantee that success will be achieved in the field of intellectual production and is also an important condition for making correct decisions and realizing achievements in all our activities.

Innumerable natural scientists have made great efforts to ensure that their exploration and research will be of benefit to mankind. They are models in adherence to the use of the scientific spirit in carrying out work. The founders of Marxism had both the qualities of scholars and the qualities of revolutionaries, while in Marxist theory, a revolutionary nature and a strict scientific spirit are innately and inseparably combined. The scientific spirit of natural science and the scientific spirit of Marxism are basically the same. The differences between the two lie in that the former is mainly manifested in the process of understanding natural phenomena, it is more closely related with scientific experimentation and mathematical analysis, and it has a longer history. However,

among natural scientists there are those who have a scientific spirit and have realized major achievements in observing natural phenomena, but who in observing social phenomena will not necessarily persevere with a scientific spirit. After being formed in the middle of the 19th century, Marxism's scientific spirit inherited and developed the scientific spirit of the natural sciences and was mainly manifested in the process of understanding social phenomena. In our work, we need both the scientific spirit of the natural sciences and also the scientific spirit of Marxism. This article will mainly examine the first-mentioned as well as the common aspects of the two.

I

The study of new situations and new questions which mankind does not yet understand, making discoveries, and providing new knowledge are the major tasks of scientific activities. However, people do not enter the halls of science with nothing in their heads. Rather, they always have to use existing knowledge to determine what should and what can be studied, and use existing knowledge to determine the ways and means to study unknown fields. The richer a scientist's knowledge and experience, the greater will be his ability to see where lies the source of new discoveries and the greater will be his ability to find new roads by which to obtain new knowledge. By their nature, scientific achievements are cumulative results and science is one of the cultural forms most subject to the inheritance of what has gone before.

Outstanding scientists all have the spirit of open-mindedly accepting the legacy of science. Newton's famous saying was: "If I was able to see a little further, it was because I stood on the shoulders of a giant." The spirit of open-mindedly accepting the legacy of knowledge in scientific activities is certainly not purely a scholar's way of moral self-cultivation, but is a consciousness which is in accord with the patterns of scientific development. Scientific activity is like climbing up steps, with each new generation inheriting the achievements of the previous generations. If they do not modestly ask for instruction from the previous generation, there will be no advance.

Existing knowledge and experiences provide a thread for scientific workers in examining new situations and new questions, but in the end, they are unable to completely clarify the difficulties and obstacles which are likely to be encountered in new journeys, and they cannot concretely provide conclusive answers about areas which are unknown. It is for this reason that in their lives, scientists always have direction and confidence (the predictions and guidance of existing knowledge) as well as a serious and prudent exploratory spirit. Based on Oersted's discovery in 1820 of the magnetic effect of an electric current, in 1824 Faraday recognized that a magnet should also have a reaction to an electric current. He devised and carried out all sorts of experiments and repeatedly met setbacks. It was only in 1831 that he

ascertained that changes in a magnetic field can give rise to an induced electric current. Darwin's theory of evolution benefited from the influence of the theory of gradual geological change advanced by Lyell, but more important was his unstinting examination over several decades of natural selection and the origin of species.

Unremitting exploration is also the scientific spirit of Marxism. In the 1840's, on the basis of criticism and analysis of Hegel's and Feuerbach's philosophies, Marx put forward a materialist view of history. This brilliant idea was at that time only a theory. It was only through Marx' detailed examination of the development of capitalist society and his writing of *Das Kapital* that the materialist view of history was placed on the firmest scientific base.

In scientific activities, it is necessary to have a spirit of seriously accepting the knowledge of those who have gone before and of exploring persistently and dauntlessly. However, more important and more essential is the spirit of creativity. In science, basically speaking, one needs to create new knowledge, and discover new phenomena or new laws which previous knowledge had not imagined or had no way of understanding, before it can be considered a scientific achievement. In this respect, the inheritance of existing knowledge and exploration of the unknown not only have a unity, but also an antagonism. If one entirely follows the existing theories and experiences, it will limit and obstruct the formation of new ideas and then it will not be possible to have new discoveries.

Innovation is the life-blood of science, while creativity is the spirit of scientific activities. Copernicus' brave challenge to the mythological idea that the earth was the center of the universe, Newton's proposal of a theory of universal gravitation and Einstein's breaking down of the traditional ideas of classical physics—these are all models of the spirit of innovation in the natural sciences. Marx and Engels critically transformed the theories of Hegel, Feuerbach, Adam Smith and Saint-Simon and created, for the first time in human ideology, the materialist view of history and the theory of surplus value; Lenin received and developed Marx' and Engels' ideas and put forward the idea that socialism could achieve victory in a single country first; Mao Zedong, in accordance with China's revolutionary practice, creatively put forward the ideas of using the new democracy and the countryside to surround the cities; and under new historical conditions our party also proceeded from the national situation and combined the basic principles of Marxism with China's reality, in practice opening a socialist road with Chinese characteristics, while in the fields of philosophy, political economy and scientific socialism, it enriched and developed a series of scientific theoretical ideas. Science needs open-minded understanding as well as an ability to create new and original things. Putting forward an overall new theory or principle is innovation, and adding new parts or aspects to existing scientific achievements, thereby improving

principles which are not sufficiently precise, not sufficiently complete, or not sufficiently thoroughgoing, also falls within the category of innovation.

Scientific innovation is inseparable from independent research and independent thought. Science recognizes only "originals" and places little or no value on "copies." "Originals" are produced only through independent thought and are certainly not derived from following old ways. Einstein said: "The development of science and the development of most activities of the creative spirit also need another freedom, and this can be called inner freedom. This spiritual freedom is not, in thought, subject to the fetters of authority or social prejudices and not subject to the fetters which generally restrain violations of the conventions and practices of philosophy." ¹

II

Scientific activity is a process of continuous practice and continuous innovation. It is also a process of raising things from the empirical to the theoretical level. Experimental observation data and on-the-spot investigation materials are understanding on the empirical level, while scientific hypotheses, principles and theories are understanding on the theoretical level. Of course, the division between these two levels is relative and the two permeate each other. Empirical knowledge is often scattered, disordered and shallow. With only empirical knowledge, we do not have modern science, and this can side-track people. Also science is, in essence, a theoretical pattern.

If we are to raise empirical understanding to theoretical understanding, there is a need to go through scientific abstraction, pay attention to rational principles and place stress on summary and conclusion. That is to say, there is a need for a spirit of rationalization.

Outstanding scholars have always opposed dogmatism and empiricism in science. Dogmatism lacks a spirit of innovation, while empiricism lacks a spirit of rationalization. Einstein held that knowledge cannot be gained purely from logical thought, and noted that it requires experience as a background. However, he strongly stressed that scientific theories cannot be directly adduced from empirical materials and that an understanding of natural laws can only come through "rational construction" or "intellectual invention." "It is only bold speculation, rather than the accumulation of experience, that enables us to advance." ² It is well known that Marxism has always opposed purely academic and empty conceptual games and at the same time has opposed the pure enumeration of facts. Rather, it has always held that the task of science is to sum up observable but only surface activity into internal, real activity, and that only through rational thought and scientific abstraction is it possible to more deeply, more correctly and more fully reflect objective reality.

This spirit of rationalization in scientific research is an important condition for making new discoveries and particularly for putting forward new theories. Although the narrow theory of relativity put forward by Einstein had as preconditions ether experimentation and determination of the speed of light, the key point lay in that he bravely denied the existence of ether and proposed that in a true vacuum, the speed of light did not change, and with this new idea, he explained his predecessors' experiences. When Marx and Engels wrote "The Manifesto of the Communist Party," people already had had the experience of living in a capitalist society and many people had described the suffering experienced by the proletariat. However, the proletarian revolution and the socialist system were not realities of that time. Thus, without rational thought, it would not have been possible to come to the scientific conclusion that capitalism would inevitably die out and that socialism would inevitably be victorious.

Daring to put forward suppositions and bravely making hypotheses are manifestations of the spirit of rationalization in science. Bravely putting forward hypotheses naturally has certain conditions: On the one hand, the putting forward of a hypothesis must have scientific facts as a basis. It is not possible to just have wild thoughts or subjective fabrication without any objective basis. On the other hand, the putting forward of a hypothesis also requires fully bringing into play the subjective initiative of thought, including visualization, conjecture, conceptualization and imagination on the basis of limited materials. A hypothesis can be one-sided or erroneous, but a hypothesis is an important form of theoretical thought in scientific development.

Marxism has always stressed that science is a conscientious discipline and at the same time has affirmed that in rational activities one should be brave in putting forward hypotheses and using imagination. Engels said: "The form of development of natural science, in so far as it thinks, is the hypothesis. A new fact is observed, which makes impossible the previous method of explaining the facts belonging to the same group. From this moment onwards, new methods of explanation are required—at first based on only a limited number of facts and observations. Further observational material weeds out these hypotheses, doing away with some and correcting others, until finally the law is established in a pure form. If one waited until the material for a law was in pure form, it would mean suspending the process of thought in investigation until then and, if only for this reason, the law would never come into being."³ Lenin also stressed more than once that revolutionary realism requires not only the observance of those things before our eyes, but also that we recognize objective inevitability and visualize future developments, including visions of the natural process of the course of events. Not only poets need fantasy. Scientists also require it. Fantasy is an extremely valuable quality.⁴

It is also necessary in our work that, on the basis of a limited number of facts and observations, we use our

minds in research and dare to put forward hypotheses, seriously test and verify them, and supplement and revise them. Without this, it will be difficult to rationalize experiences. However, if we think that just with rich and accurate empirical materials, we can put forward theories, the theories put forward will be too academic. In summing up the experiences and lessons of history and bravely putting forward revolutionary concepts, we should study the spirit of the natural scientists in their great respect for rationality.

III

Science requires that one correctly reflects objective facts and seeks truth. Whether one makes efforts in exploratory innovation or bravely engages in rational thought, it is necessary to strive to proceed from reality, to seek truth from facts and to try to avoid and overcome errors. Seeking facts (seeking truth from facts) and seeking truth (adhering to truth) is the basic spirit of science.

Many scientists who are very creative and esteem truth also stress the seeking of facts. Einstein held that science should be speculative, but firmly opposed people misinterpreting the theory of relativity which he established as a purely speculative thing. He stressed that the putting forward of the theory of relativity was entirely based on the idea of trying to get the physical theory to accord as nearly as possible with the observed facts. Darwin held that maintaining freedom of thought was a condition for the realization of his achievements. But he understood freedom of thought as not being restricted by the hypotheses already existing. As soon as a hypothesis failed to accord with the facts, he discarded it. That is to say, he understood freedom of thought to be complete respect for the facts.

Adhering to truth and revising errors is the manifestation of the spirit of seeking facts. Copernicus' theory of the sun being at the center of the solar system, Harvey's theory of blood circulation, Avogadro's molecular theory and Darwin's theory of evolution were all, when initially put forward, subject to opposition from many people and were even negated for a time. However, these scientists, along with supporters like Bruno and Huxley, maintained the correctness of the new ideas and, under great pressure, struggled for truth. At the same time, scientists have honesty in seeking knowledge. As soon as they discover errors, they engage in revision. Copernicus once believed that the earth was at the center of the universe, Darwin had suspicions about geology, and Rutherford once established a solar system atomic model. When they observed new facts or recognized the validity of new ideas, they firmly abandoned or revised their own viewpoints.

As natural phenomena do not include aspects of man's subjective wishes, natural knowledge does not reflect people's interests. The truth of natural scientific knowledge can easily be verified through specific practical

activities—scientific experiments. Thus, in natural science research, there is very little difficulty in seeking facts, adhering to truth and revising mistakes. However, the social process is always realized through people's subjective will and thus social knowledge is very closely linked with people's interests. The testing of the correctness or otherwise of social concepts is often extremely difficult and troublesome. Thus, in the understanding of social phenomena and social laws, the seeking of facts and adherence to truth is much more difficult. In the areas of social life and social cognition, subjectivism and mistaken views circulate for a long time. Even today, the depth and breadth of our efforts to make social knowledge more scientific are insufficient. It is probably because the understanding of society has the above-mentioned characteristics that Marxism especially stresses the scientific spirit of seeking truth from facts.

If we are to adhere to the Marxist spirit of seeking truth, it is very important that we proceed from the basic interests of the masses, that is to say, proceed from the basic interests of the proletariat and the masses. Only thus will it be possible to reflect social reality and only thus will it be possible to maintain correct ideas and revise incorrect views. If we are to adhere to the Marxist spirit of seeking truth, we must study scientific socialism and the social sciences as sciences. "The further science moves away from misgivings and the more impartial it becomes, the closer it will accord with the interests and aspirations of the workers."⁵ If we are to adhere to the Marxist spirit of seeking truth, we also require a correct methodology, so that we can strictly avoid the subjectiveness and partiality which come from traditional concepts and partial experiences, and strictly avoid exaggerating the truth, thereby leading to mistakes.

IV

In the end, theory serves reality and science serve practice. Scientists must have a spirit of seeking benefit for mankind and a spirit of utilitarianism.

Some outstanding scientists through the ages have paid attention to the use-value of science and consciously recognized that scientists must use their achievements for other people's happiness. Bacon, the founder of modern empirical science, criticized that type of science which "can talk, but which cannot produce" and "is rich in argument, but without real results." He clearly stated: "The truth and the legitimate goal of science is this: Providing new discoveries and new strengths for the life of mankind."⁶ In the speech made by Madame and Monsieur Curie on receipt of the Nobel Prize, they noted that the discovery of radium could benefit mankind but could also be used by criminals to bring harm. They showed that they stood among the people who hoped that mankind could gain benefit from the new discovery. Einstein, when talking about the mission of scientists, spoke of seeking the harmony and simplicity of the universe. At the same time, he repeatedly stressed that scientists must fulfill their own social responsibility and

concern themselves with the major questions of how to organize people's labor and distribute products, in order to guarantee that the achievements of scientific thought will bring prosperity to mankind. However, because of the restrictions in terms of social conditions prior to the end of the 19th century, and because science at that time placed stress on exploring basic natural laws, a greater number of scientists did not greatly endorse the linking of science and utility. They stressed that science must satisfy people's interest and their seeking for the unusual. They sought "the beauty of science" and some even proposed "science for the sake of science." It was also held that the stressing of utility and the stressing of value would obstruct the advance of science.

Since the beginning of this century modern science has already developed to form an overall system including basic science, technical science and engineering science, and the social function of science has gained new contents. Today, while people's interest and seeking for the unusual are still factors encouraging scientists to carry out exploration, and scientists (especially those engaged in basic science or "pure science" research) still proceed by seeking the beauty of science, what people pay more attention to is the potential or practical use value of science. They have more clearly understood that science and technology are productive forces and that science is a major tool for increasing social wealth and improving the quality of life in society. In the last 100 years, a huge number of scientific discoveries with real use value have appeared. Technological science and engineering science have seen swift development and a number of disciplines have grown to cover the entire spectrum. Thus now, "science for the sake of science" is not the spirit of the times for modern science.

Scholars under socialist conditions should, even more, have a utilitarian scientific spirit and make efforts to ensure that their work is of benefit to the economy and to social development. Many of our scientists have, with a strong sense of social responsibility, made great contributions of practical significance in the fields of superconductors, exploration into the materials of life, satellite and guided missile development and breeding and production technology development. Also, in basic scientific research they have opened roads for the long-term development of technological science, in order to bring glory to the country. Some scientists who previously were engaged in "pure science" research have also at the same time thrown themselves into undertakings involving applied mathematics, applied physics and applied chemistry. An even greater number of intellectuals have made efforts in the areas of technological science and engineering science. Further, many workers in philosophy and the social sciences have put forward beneficial ideas in respect of new situations and new questions in real life.

The unfortunate thing is that some comrades have not fully understood the new characteristics of the times and social characteristics of the scientific spirit. They often

generally talk about the spirit of innovation in science, the spirit of seeking facts and the spirit of rationality, but they do not concern themselves with or do not especially stress the utilitarian spirit of science. We also have some natural scientists who often stress the academic value of achievements, but look lightly on their use value. When assessing scientific works, and scientific articles, there is more attention paid to whether or not there are new ideas or creative conclusions on the theoretical plane, while the applicability and practical significance are overlooked, and it is generally held that the research results of utilitarian benefit are of a low level. Some philosophy and social science workers are more willing to explore the past and are not very interested in analyzing the situation at present. Also, they are happier quoting new formulations from foreign publications than putting efforts into investigating the actual situation of reform and opening up. It seems that the tendency spoken of by Bacon, where there is talk and a richness of argument, but no real results, is worthy of attention. If we are to enliven our country's scientific cause, we need to place stress on science and at the same time, promote and develop the utilitarian spirit in science.

The scientific spirit is extremely important in understanding and transforming the world. However, it is but one side of science, and it is closely bound together with scientific knowledge, scientific activities, and scientific methodology. That is to say, only when all of these are combined do we have a true scientific spirit. The scientific spirit is not something which exists independently or in isolation and is not something which can be extracted as a ready-made tool. Its emergence, formation and development has followed a historical course.

In ancient society where scientific knowledge was lacking and culture was backward, there was much religious superstition and little scientific spirit. Ideas such as the ruler having a spiritual mandate, that wealth and prestige were conferred by Heaven and that there was continuous cycle of transmigration and rebirth held sway, there were prayers to heaven, and sacrifices to avoid evil and to seek blessings. An obscurantist spirit held the ruling position. Following the emergence and development of modern science, many people threw off their ignorance and at the same time formed and developed a scientific spirit. Ignorance and lack of science are not absolutely synonymous, but they often exist at the same time and form an entity. Our lack of a scientific spirit in work and the many losses we have thereby sustained are, to a great degree, also due to ignorance and even violation of scientific knowledge. Spreading scientific knowledge and eliminating the various types of superstition is one of the immediate tasks on the ideological and cultural fronts.

Scientific spirit is the product of practice and scientific activities. The fostering of a scientific spirit requires reliance on propaganda and reliance on study, including the study of the history of natural and the social sciences.

However, no spirit (not even scientific spirit) can be learned simply from books, and one cannot obtain it simply through reliance on determination. Rather, it is necessary to participate in practical activities and investigative research.

Mastering scientific methods and fostering a scientific spirit are complementary activities. The lack of a scientific spirit can lead to subjective methods, and if one does not adopt scientific methods, it will be difficult to maintain a scientific spirit. Proceeding from reality in recognizing things is the scientific attitude, but recognition and differentiation of things is always realized through comparison. If one does not master the method of comparison, it will be difficult to recognize or appropriately distinguish things. Understanding the object in an overall way is the scientific attitude. However the degree of overallness is numerically related to the various aspects of the target as well as to its structural form. If one does not master mathematical methodology and systems methodology, then it will be difficult to take everything into account. Thus the diligent study of scientific knowledge and throwing oneself into practical activities are necessary conditions for handling matters in accordance with the scientific spirit.

Footnotes

1. *Collected Works of Einstein* Vol. 3, p. 180.
2. *Collected Works of Einstein* Vol. 3, p. 496.
3. *Selected Works of Marx and Engels* Vol. 3, p. 561.
4. *See Complete Works of Lenin* Vol. 33, p. 282.
5. *Selected Works of Marx and Engels* Vol. 4, p. 245.
6. *New Tools* COMMERCIAL PRESS 1984 ed., p. 58.

Certain Questions on Curbing Inflation
HK2110151188 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 pp 12-17

[Article by Wang Mengkui 3769 1125 1145 of the State Planning Commission]

[Text] The increasingly serious inflation is a major obstacle which we cannot dodge or skirt round on the path of economic construction and reform. Fighting inflation has become an urgent matter in China's economy. It can be said that whether or not we can effectively curb inflation and avoid malignant inflation has a bearing not only on the sound growth of the economy and social stability but also on the success or failure of the reform.

Given the present conditions of inflated effective demand and insufficient effective supply, it will be difficult to control inflation by merely curbing demand or stimulating supply. A general principle is to effectively

curb demand and, at the same time, vigorously increase supply in order to achieve a general balance between total social demand and total social supply. The key to success lies in properly curbing demand and stimulating supply.

To achieve the above-mentioned objectives, efforts should be made in many ways, such as production and development, social distribution and consumption, and in the circulation field. Let me now air some of my views.

I

Inflated investment is an important cause of inflation. Due to the excessive scale of construction projects the shortage of some important raw materials is so serious that their prices have soared. The list price of ordinary rolled steel has risen from 670 yuan in 1987 to 890 yuan; its market price has risen from over 1,400 yuan to over 2,000 yuan. Reducing the scale of investment in fixed assets and curtailing capital construction is an important means of curbing total social demand and easing inflation. On many occasions in the past we have successfully conducted economic readjustments and we should also do so today. However, we should take appropriate measures in light of the conditions that have changed. Following the transfer of power to a lower level, the decentralization of financial power, and the policy readjustments, the following important changes have taken place in the investment pattern: In the society's total investment in fixed assets, the proportion of state-owned units has dropped; in state-owned units' total investment in fixed assets, the proportion of capital construction has dropped; and in the total investment in capital construction, the proportion of state budgetary fund has dropped. To date in the society's total investment in fixed assets, the proportion of investment in budgetary capital construction projects by state-owned units has dropped to less than 20 percent. If we reduce this portion of investment it will be insufficient to control the society's volume of total investment in fixed assets. Therefore, in controlling the scale of investment in fixed assets we should: Not limit ourselves to state-owned enterprises; take into consideration all investments in fixed assets instead of only capital construction; and properly manage all investments in capital construction instead of just the state's budgetary investment. Only by making an overall plan is it possible to attain the objective of reducing the scale of investment in fixed assets. However, we have not found an effective method to regulate and control [tiao kong 6148 2235] at the macro level the society's scale of investment in fixed assets, especially the growing proportion of investment in fixed assets by sectors other than the state-owned economy, and extra-budgetary investments by the state-owned economy. This is a problem which should be solved in future reform of the planning structure and the economic structure as a whole.

When curtailing the investment scale we should improve the investment pattern. According to statistics, in state-owned units' investments in capital construction, the proportion of productive investment was 73.9 percent during the Fifth 5-Year Plan but dropped to 57.4 percent during the Sixth 5-Year Plan. During the first two years of the Seventh 5-Year Plan the proportion started to rise. However, as far as the society's investment in fixed assets is concerned, the proportion of non-productive investment is still too large, while the proportion of productive investment is still too small; in productive investment, the proportion of investment in processing industry is too big, while the proportion of investment in energy and raw material industries and agriculture is too small. This is not conducive to achieving greater capacity for long-term economic development, and obstructs readjustment of the industrial structure. Curtailing the investment scale must be conducted in conjunction with improving the investment pattern. In this way we can avoid the phenomenon whereby the construction of key projects in bottleneck departments has been curtailed while the construction of ordinary processing industry, which has developed too rapidly, has grown inordinately instead of being reduced. This danger is likely to occur because the key construction projects, being in the hands of the state, can easily be brought under control, while the ordinary processing industry, being in the hands of local governments and even township and town enterprises, cannot be easily controlled.

Given the commodity economy, the balance between physical form and value form in social reproduction is a matter which cannot be easily solved. It is especially so when there is inflation. Here, there are two problems to be studied:

The first is the question of compensating for the devaluation in investment in fixed assets. Given the rising prices, the current investment in fixed assets will depreciate. If the investment amount does not change, there is a reduction in the scope of actual investment. To fulfill the predetermined construction plans it is necessary to make additional investments. The handling of additional investment amounts can be used as a means of readjusting the investment scope and investment pattern, such as increasing, partially increasing, not increasing, or reducing investments according to the rate of price rises and other ratios. That is totally, partially, or not at all compensating for the devaluation in fixed asset investment.

The second is the question of depreciation in regard to fixed assets. Given the rising prices, the price of capital reserve [zi ben cun liang 6327 2609 1317 6852] will naturally move upward. This will have an important effect on the depreciation of existing fixed assets. If the depreciation is still withdrawn according to the original amount, it will create a false impression of low production costs, which actually means "eating off one's past

gains." To avoid this loss we may adopt the method of raising the appreciation rate, but this will increase price hikes. We can also reassess the value of fixed assets, but this is a complicated job.

II

The numerous inflated investments in the past have occurred by tightening up the people's consumption. The inflated investment in recent years has occurred simultaneously with inflated consumption funds. The simultaneous revolution of the two wheels has pushed up prices.

Inflated consumption demand includes inflated individual consumption demand and institutional consumption. Between 1983 and 1987, calculated in terms of prices for those years, the national income grew by an average of 17.9 percent annually, and the total payroll for workers and staff members by 19.1 percent. This did not include extra income which accounted for over 30 percent of the total currency income of workers and staff members. In the same period, institutional consumption progressively rose at an average of 21.2 percent annually, much higher than the growth of both national income and state financial revenue. In 1987 the volume of institutional consumption reached 55.3 billion yuan, accounting for 24 percent of the financial revenue that year and exceeding the volume of total investment in budgetary capital construction. It should be truthfully admitted that consumption has grown too rapidly in the past few years. This state of affairs cannot possibly go on for a long time. To curb inflation it is necessary to curtail the growth of consumption funds in terms of total amount and to make it lower than the growth in national income. Naturally, the state should strive to ensure that the actual living standards of most workers and staff members do not drop, but the possibility that the actual living standards of some people will drop cannot be excluded. It is impractical to imagine that we can comfortably tide over the difficulties of inflation and price reform without making any sacrifices.

By making further inspections we can also discover that egalitarianism in the social distribution field and wide income gaps have also contributed to inflated consumption funds. The former refers to various types of social security evenly distributed on a per-capita basis, particularly the increasing number of subsidies. The latter, however, is rather complicated. There are generally three circumstances. First, due to the imperfect distribution mechanism, plus the major differences in market supply and demand, there are wide gaps in income distribution among laborers in different trades, or among different groups of laborers in the same trade. Second, there is a wide gap in income distribution between employers and employees in large-scale hired labor, as well as between contractors and ordinary laborers in some contracting units. Third, some people get high incomes by illegal means, such as embezzling, accepting bribes, stealing,

swindling, smuggling, evading taxes, carrying out exploitation at intermediate levels, and taking advantage of their posts and positions to seek personal gains. The demonstration effect of high-income people in social consumption should not be overlooked. In handling this problem, however, we should deal with different things or people in different ways in light of their different characteristics. What is prohibited is only the illegal income. Labor income and legitimate non-labor income should be protected according to the law. The phenomena of wide income gaps should be solved by deepening the reform and improving the economic mechanism, including the institution and strict enforcement of the personal income tax system.

The experience gained in East European socialist countries and in our country proves that: The highly centralized traditional structure tends to curb consumption and encourage accumulation, known as "high accumulation and low consumption"; the reform and decentralization of power, however, often leads to "double inflation," that is inflated investment and inflated consumption, and over-distribution of national income. Viewed in terms of physical form, only production fruits can be distributed and therefore, unless debts are listed as national income for the year, it is impossible to have over-distribution. Viewed in terms of value form, however, excessive money supply may lead to over-distribution. This has the same meaning as total social demand exceeding total social supply. Borrowing foreign loans can help maintain the situation of double inflation for a short time but it cannot last long. Because it is easy to reduce investment but difficult to reduce consumption, which has strong rigidity, double inflation will probably lead to inflated consumption and shrinking investment. If we press ahead there will probably be shrinking investment and shrinking consumption. If, instead of appropriately curbing investment demand, we excessively reduce investment, especially investment in the basic departments, we are in danger of landing in this predicament. We should make plans in advance and strive to avoid this danger.

III

In the nine years between 1979 and 1987, with the exception of 1985, there were always financial deficits, totaling 59.2 billion yuan. According to the existing accounting system, the financial deficits do not include domestic and foreign debts, which are regarded as revenue. If the domestic and foreign debts are included, the actual financial deficits would be much greater. Deficit finance stimulates inflated demand and is an important cause of inflation. Therefore, upholding the principle of the basic balance between receipt and expenditure and reducing and even eliminating financial deficits is an important way of alleviating and even eliminating inflation. To this end it is necessary to solve two problems:

First, we should improve the distribution pattern of national income. In recent years, great changes have taken place in the distribution pattern of our national income. The proportion of financial revenue in the national income has dropped from 37 percent in 1978 to about 26 percent, which is considered as low among all countries in the world; the proportion of central financial revenue in the financial revenue has dropped from about 60 percent in the 1970's to about 50 percent, which is also considered as low among all countries in the world. The result is that on the one hand, the financial power and economic vitality of enterprises and local governments has increased; on the other hand, the state financial revenue, especially the central financial revenue, has relatively decreased, and this has weakened the capability of central finance to support construction and reform. This does not help stabilize the economy and ease inflation. In order to solve this problem, on the one hand, in the course of economic restructuring and decentralizing financial power we should correspondingly delegate to the lower levels the power to decide matters, to reduce the pressure on government's, especially the central government's, finance; and on the other hand we should appropriately pool capital. In a country such as ours the government assumes a heavy responsibility and it is hard to relinquish many burdens. Now that our country is in the economic development stage of continuously pushing for industrialization, the objective conditions also call for an appropriate concentration of capital. Excessively scattered capital is not conducive to either reform or construction. Viewed from the current distribution pattern, it is necessary to appropriately raise the proportion of financial revenue in the national income, and the proportion of central finance in the financial revenue.

Second, we should increase income, reduce expenditure, and keep expenditures within the limits of income. The state's financial situation is grim. In the first half of this year the financial revenue grew by 10.2 percent, lower than the price rise index. This actually represents negative growth. With the peak period to pay for the principal and interest of domestic and foreign debts coming near, the financial difficulties will be greater. It will increase the difficulties in controlling inflation. To strive for a basic balance between financial receipts and expenditures, it is first necessary to increase production, to penetratingly and persistently launch the movement to increase production and practice economy, and to increase the state's financial revenue. Taxation is an important source of state financial revenue. Efforts should be made to improve the taxation system, strengthen the work of collecting and managing taxation, and reduce the drain on financial sources. Following the institution of the contract system under the inflationary conditions, the contract basis portion will depreciate while the major portion of added value will be retained by local governments and enterprises. This does not help ensure an increase in the state's financial revenue. For this reason it is necessary to improve the contract system, to readjust the contract basis, and to practice a

method of proportional contract or other methods. While striving to increase financial revenue we should control financial expenditure, step up management over expenses, readjust the pattern of expenditures, and raise the utilization effect of funds. We are poor now and we should not live as if we were rich. When engaging in economic construction, economic reform, or other undertakings, we should consider the capacity of state finances to withstand the strains. We should undertake work according to our financial resources. If we do not have the money we should suspend or delay our projects so that all our expenses can be in keeping with the financial power of the state.

When striving for a basic balance between receipts and expenditures we should define the appropriate scope of our import and export trade, persist in maintaining a basic balance between foreign exchange earnings and outlay, and strictly control the amount of foreign debt. Given that we are opening up to the outside world, the conditions of our foreign trade, foreign exchange, and foreign debt have an important effect on the country's price level. The volume of our import and export trade, which was \$20.6 billion in 1978, reached \$8.27 billion in 1987, an increase of more than 300 percent. This was much higher than the growth in industrial and agricultural production and in national income. The growth of foreign trade has vigorously supported domestic construction and, at the same time, pushed up prices. This is because the buying spree of export goods has intensified commodity shortage on the domestic market, and because the rising export costs in terms of foreign exchange has increased the state's financial burden. We should therefore take macroeconomic results as a criterion to determine the composition and growth of import and export trade, and reduce exports of commodities in short supply in order to increase domestic supply. At present, our country's foreign exchange receipts and expenditures roughly balance. By the end of last May the balance of foreign debt was \$32 billion, which cannot be regarded as too much. What merits attention is the confused situation in borrowing money from abroad and that the growth in our foreign debt is higher than both the growth of GNP and the growth of foreign exchange earnings through export. In using foreign capital to run enterprises, failure to take into account our country's capacity for the necessary domestic funds has also led to runaway credit, excessive investment scale, and inflation. Therefore, stepping up foreign debt management is important to long-term development today and in the future.

IV

Inflation is a currency phenomenon; excessive money supply has led to the raising of prices for all commodities. As a popular argument in Western countries goes, too much money chases relatively few commodities. The price hikes in our country in recent years are also the result of excessive money supply. According to statistics,

between 1977 and 1987 the volume of money in circulation grew by 644.4 percent, about 600 percent higher than the growth in national income. In the corresponding period, after allowing for price rises, the retail goods volume rose by 299.4 percent and the purchasing power by 376 percent. The volume of money in circulation was only 21.2 billion yuan in 1978 but exceeded 145 billion yuan in 1987. Of this amount, 101.5 billion yuan was issued between 1983 and 1987, far surpassing the needs of economic growth. Even when price increases are factored in, a substantial amount of the money has not been completely absorbed. Excessive money supply has led to swelling demand and this is the principal cause of soaring prices.

Controlling the money supply is a drastic measure to remove inflation. It is a method commonly used in various countries. According to the general law, the growth rate of money supply should be equal to the economic growth rate, plus the rate of structural price rises. In the present stage our social economy is marching toward commercialization in an unprecedentedly extensive and intensive way. This, plus a larger amount of money in the hands of urban and rural people as a result of increased income has substantially increased the need for money. The additional money needed in the course of social economic commercialization cannot be calculated accurately. However, following the price hikes all people feel that "money has become smaller." This shows that money has been excessively issued. The effect of money supply on commodity prices can usually be felt between 1 and 1 and 1/2 years later. Because our commodity economy is underdeveloped, the hysteresis period is slightly longer. The money excessively issued in the past few years will still have a negative effect on commodity prices for the next 1 or 2 years and even longer. Therefore, to remove inflation it is necessary to uphold the policy of appropriately tightening up the money supply during the next few years so that the money supply growth rate is slightly lower than the economic growth rate plus the rate of structural price rises. Money and credit are important means of macro regulation and control. When controlling money supply we should vigorously control the credit scale and readjust the credit pattern. After bringing money supply and credit scope under control, we can gradually remove the phenomena of economic overheating.

We are now practicing a policy of minus interest rates for savings deposit. That is to say the savings rates are lower than the inflation rate. This inverted phenomenon in capital price is a manifestation of irrational price relations. Corresponding to the low deposit rates are the low credit rates, which are actually minus interest rates. This does not help improve the utilization effect of capital nor control credit scale. The people's savings deposits, amounting to more than 300 billion yuan, make up a "caged tiger" which may rush into the market at any moment. Since the beginning of this year there has been a marked slowdown in the growth of urban savings throughout the country. True, this is due to the issuing of

more financial bonds and debentures, but a more important reason is that people have changed from the practice of depositing money in the banks for future purchases, to getting money ready for purchases or panic purchasing. This is a signal meriting attention. In order to stabilize the source of funds, reduce the pressure on the market, and ease inflation, it is necessary to appropriately raise the deposit rates. The People's Bank of China recently decided to raise interest rates on long-term deposits and to open long-term value-guaranteed bank deposit businesses. This will play a positive role in stabilizing finance and curbing inflation. The slight increase in credit rates will play a beneficial role in urging producers to improve the utilization effect of funds and to control the scope of credit and investment.

To strictly control money supply it is necessary to reform the money supply system. Viewed from the need to improve the financial system it is imperative to issue money independently and to bring it into the orbit of legal procedure to facilitate strict management. This is the objective demand of developing a planned commodity economy and is in keeping with the urgent need to improve the state's macroeconomic management, and with economic reform. Since this step is needed it is better to take it sooner than later.

V

To curb inflation and carry out a suitable retrenchment policy it is necessary to appropriately reduce investment. Whether or not we can steadily develop production, reduce the state's financial deficit, and continuously improve the livelihood of workers and staff members depends, in the final analysis, on whether or not the enterprises, especially the state-owned industrial enterprises, can improve their economic results. The rising prices of invested materials, the increase in workers' payroll, and the rise in credit rates put great pressure on enterprises. Whether or not the enterprises can absorb these unfavorable factors, avoid spiraling price rises, prevent prices and wages from boosting each other, survive, and develop also depends on whether or not they can improve their economic results. The current economic results of our enterprises are unsatisfactory. Not only is there a wide gap compared with the advanced world level, but some indexes of our economic results are also lower than our best levels in the past. The profit rate of funds is down, and the material consumption of per-unit product and the comparable cost of product are up. Of the more than 90,000 state-owned industrial enterprises, 19 percent are operated at a loss. If this state of affairs is not reversed, it will be hard for enterprises to improve their capacity to digest and absorb price rises and to attain the desired objectives of reform and construction.

Economic results are a comprehensive reflection of the conditions of an enterprise. Therefore, in improving economic results an enterprise should also exert its efforts in many ways, such as reforming the enterprise

mechanism, improving the managerial and technological levels, and arousing the enthusiasm of the workers and staff members more satisfactorily. In recent years the economic growth has been too high. Overheating has led to and covered up poor economic results. This is also an important cause of inflated social demand and rising prices. To ease the contradiction between total social demand and total social supply, curb inflation, and improve the macroeconomic environment, we must be determined to eliminate economic overheating, adhere to the strategy of persistently and steadily developing the economy, conscientiously change the practice of exclusively seeking output value at the expense of economic results, genuinely place attainment of better economic results above everything else in our economic work, and take economic results as an important criterion in judging reform and development.

VI

As an intermediate link between production and consumption, commerce is a product of the division of social labor. The basis of its existence is that it can help both producers and consumers cut down expenses. To develop the commodity economy it is necessary to promote commerce. Reform of the commodity circulation field in the past few years has played a positive role in stimulating economic growth. The problem now is that, because the corresponding forms of organizational management and supervisory work have lagged behind, there have been some lopsided developments in the circulation field. Important causes of price rises are the swelling of intermediate links and the practice of driving up prices at every level for unfair profits by various "private speculators" and "official speculators" who are not needed by—and who even exploit—producers and consumers. After changing hands several times, the prices of some commodities in short supply have doubled and redoubled. This has not only increased production costs and reduced enterprise profits and state revenue, but also infringed upon the interests of the vast numbers of consumers. There are more than 390,000 companies of various types throughout the country, more than 100,000 of which are administrative enterprises. We must be determined to consolidate the circulation field because this is not only urgently needed to curb inflation and stabilize the economy, but is also an indispensable condition to ensure the smooth progress of the reform.

Our commodity economy is in the initial stage of socialism and is now in the process of economic restructuring. Economic relations are experiencing drastic changes. At such a major turning point in history, the state should strengthen and improve macro management of the national economy. Economic, administrative, and legal means, as well as ideological education, are all indispensable, but the key lies in how to apply them appropriately. We can not wait for the market mechanism to mature and then establish a normal order in the circulation field. Needless to say, the establishment of a normal order in

the circulation field is an indication and a guarantee of the sound development of the socialist planned commodity economy. In recent years we have made great headway in building the economic legal system, and the conditions under which we had neither laws nor regulations to go by have been fundamentally changed. Naturally, it is still necessary to continuously improve the legal system in many ways and to work out some urgently needed laws and statutes. The principal problem today is to strictly enforce the laws and to overcome the phenomena whereby the laws already enacted are not fully observed or enforced.

Reform Has Resulted in High Economic Return for Enterprises

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[Article by Lu Guanqiu 7627 0385 3808, Factory Director, Hangzhou Universal Coupling Factory]

[Text] The Hangzhou Multi-Directional Joint Factory was established in 1969. At that time it was only a blacksmith's shop with seven people and assets worth 4000 yuan. Since the introduction of the contract system as part of the reform in 1983, enterprises have been developing fast and their economic results have been rising every year. In the last five years, our output value has been increasing at the rate of 33 percent, our profits at 28 percent, and our labor productivity at 18 percent each year. We produce 1.5 million sets of multi-directional joints each year. This production covers 170 models. Our output accounts for more than one-third of the national output. In 1984 we began to export to the U.S. and now we have supply and demand relations with 18 countries and regions in five continents. In 1985 the State Machine-Building Industry Commission issued a certificate proving we had met international standards for machinery and electrical appliances. In 1986 the Machinery Export Office of the State Council approved our factory to be the only multi-directional joint export base in China. In 1987 our factory won the state silver medal award and was promoted to grade two state enterprise. We were the first township and town enterprise promoted to that grade. Our rate of development and economic results have exceeded some state-owned enterprises.

In general state-owned enterprises are stronger than township and town enterprises in both quality and technology, so why are their economic results lower than those of the latter? I believe the reason is that a considerable number of state-owned enterprises have not really resolved the problem of separating ownership from management in their practice of the contract responsibility system. In form of distribution they have not thoroughly abandoned the system of eating from the same big pot and have not established the position of staff and workers as masters of enterprises. In this aspect township and town enterprises are clearly in a better position. They took the lead in transplanting the successful experience

of agricultural reform and expanded the autonomy of enterprises. They followed the law of the economy by replacing administrative order with scientific management and fully manifested the principle of material benefits by connecting the efficiency of each staff and worker with the results of the enterprise. The practice in our factory in the last few years has adequately proved this point.

In this article I will talk about the concrete measures we have adopted to bring us high enterprise results.

The System of Floating Wages That Links the Benefits of Both Workers and Enterprise Has Raised the Economic Results of Enterprises.

According to Marxism, the main aim of human productive activities is to increase material benefits. Therefore, the establishment of a rational system of distributing enterprise profits is also an impetus to mobilize the initiative and creativity of staff and workers of enterprises. This is the key to the realization of high economic return for enterprises.

At present some state-owned enterprises practice the system of linking their total amount of wages with their amount of profits to be turned over to the state. This method links the interest of the state with that of staff and workers, but ignores the interest of the enterprise which represents intermediate interest. As a result, there is little strength left for enterprises to develop.

In our factory we practice the system of floating wages which links the benefits of both workers and the enterprise. In this system the amount of wages for all staff and workers floats with the amount of gross profit. When you deduct from the incomes of the enterprise sales costs of materials, sales taxes, township government administrative fees, non-business expenditures, etc., you get the gross profit, which can be further divided into two parts: total amount of enterprise profits and total amount of wages. The latter floats with the former. There is neither ceiling nor bottom line for the float and both enterprise and staff and workers share the risks. According to the contract, 27 percent of the gross profit is the total amount of wages for staff and workers. This means that of each additional yuan of gross profit, 0.27 yuan is used to increase the total wages. For each yuan less of gross profit, 0.27 yuan will be deducted from the total wages. The 73 percent left is the total amount of profits. It is divided into three parts according to a fixed ratio. Twenty percent is turned over to the township government for agricultural subsidies and social expenditures, another amount is turned over to the state in the form of taxes, and the third part is retained by the enterprise. When the gross profits rise, there is an increase in all three parts; and when they fall, there is a decrease.

In the course of the implementation, we adopted the strengths of both the contract system of responsibility linked to production in agriculture and the piece-work

wage system in industry to substantiate the principle of linking economic returns to wages in distribution. This means that an operating worker's wages are issued according to the time he spends on the completion of a certain amount of work and the amounts of primary and supplementary materials needed. The more he produces above target, the higher will be his floating wages. If he has not produced above target, he will get only basic wages and will not enjoy floating wages. If he cannot complete the target, he will have to give reasons for it. If the reasons are either staying away from work without leave or good reason or negatively going slowly, his basic wages will be deducted. For non-operating workers, above-target floating wages are distributed according to an assessment system based on kind and standards of work. Non-operating workers that have joined the factory for half a year or more will be assessed and then given a basic score based on the level of his skills required for the work, length of service, and performance at work. They belong to 5 categories: 6, 7, 8, 9, 10. The basic score is the main parameter to judge whether a non-operating staff member will enjoy floating wages for the month, and how much. Once a person is put in a category he usually remains there for a year. If there are special circumstances, the category can be adjusted. The basic score is jointly assessed by departments related in the enterprise according to a certain proportion. Those in the same category are divided into first, second, and third groups in the issuance of floating wages each month, with a difference of 25 percent between one group and another. The amount of floating wages for non-operating staff is based on the average above-target work of all the workshops. The mean is grade 2, category 8. Floating wages are distributed according to proportions in categories above and below the mean. We call this the "5-category and 15-grade" assessment method.

The implementation of the system of floating wages that links the benefits of both workers and the enterprise has produced a series of positive results.

First, the economic return to our factory has risen at an unprecedented rate. With 1982 as a base figure, the amount of taxes and profits turned over to the state had increased by the end of 1986, at the average rate of 49 percent a year, the profits retained by the enterprise increased at the average rate of 45 percent a year, and the total amount of wages for staff and workers increased at the rate of 37 percent a year.

Second, the implementation of our wage system has helped to overcome egalitarianism in distribution. There is a dual-factor theory in the behavioral sciences. Incomes of staff and workers can be attributed to the health care factor and stimulus factor. Because the wage system in state-owned enterprises is too rigid and their managers still do not have full autonomy over distribution, the stimulus factor has become a health care factor, so that wages which should be rewarded for wage labor become welfare wages that have remained the same for many years. Village and town enterprises have autonomy

over distribution. Government and departments at all levels do not interfere with the way these enterprises distribute income among their staff and workers. Therefore, there are more elements of distribution according to labor in such distributions. In the five years from 1982-86, the per capita wages of our factory doubled. The basic wages which represent the health care factor had increased by 15 percent only whereas the floating wages which represent the stimulus factor had increased by 1.7 times. At present, floating wages account for about 70 percent of the monthly wages of a member of the factory and the focus of staff and workers is on the floating wages. This system encourages competition, widens the distance among the categories and manifests the spirit of each trying his best, distribution according to labor, more reward for the more able and the more diligent worker, and less for the less diligent. It enables us to overcome egalitarianism. Staff and workers must raise their efficiency in order to raise their incomes and so their initiative is mobilized. This is an important reason for the enterprise to raise its economic returns.

Third, the system has raised the ability of the enterprise to withstand the price reform. This system of distribution has mobilized the productive initiative of workers and staff and consequently raised the labor productivity and economic returns to the enterprise. Therefore, our factory can better withstand price hikes for raw and supplementary materials. The price of steel products has soared from 1000 yuan a ton in 1980 to 2300-2500 a ton at present, a Jiefang brand vehicle from 13000 yuan to 27000 yuan with a negotiated price of up to 33000 yuan. Under these conditions the price of our multi-directional joints for automobiles has dropped from 20 yuan in 1980 to 18 yuan per set now.

Fourth, our wage system has helped to resolve the problem of wage imbalance for mental and manual workers. A flaw of the traditional system of distribution is lower reward for administrative, engineering, and technological personnel than for workers in simple labor. However, many state-owned enterprises still use the average income level of first line workers as the standard to determine the incomes of enterprise administrative and technological personnel. Such an egalitarian method cannot mobilize the initiative of administrative and technological personnel. We adopted a new system of distribution to resolve this problem. In 1987, our middle-ranking cadres and technological personnel earned an average of 4109.87 yuan a year whereas our staff and workers an average of 2000 yuan a year. The income distribution clearly favors those in complex labor. It has mobilized the initiative of technological and administrative personnel and greatly helped to raise the economic returns of our enterprise.

A Contract System Providing Full Autonomy Is a Fundamental Guarantee To Raise the Economic Results of an Enterprise.

As we all know, the reform township and town enterprises were before the reform in much worse shape than

state-owned enterprises. Before we practiced the contract system in 1983, we had no directive-planned targets for materials, electricity, etc. Second, there was a great deal of administrative interference. All leadership above the township level was able to interfere with our own policies. Since there were few enterprises in the township, we had to deal with more direct interference. The phenomenon of irresponsible direction by the leadership was very serious. Third, state-owned enterprises are responsible for their profits but not for their losses, whereas we are responsible for our losses but not for our profits. When we had made profits, our workers and staff did not benefit from it, but when we had lost, we could not even issue wages.

In 1983, I personally signed a contract with the township industry company. The contract defines both the responsibilities and power of the factory director. First, the factory director selects members to fill the factory leadership. Second, he appoints the medium-ranking cadres. Third, he has the power to hire staff. Fourth, he has the power to raise the wages of staff and workers who have made contributions to the factory. Fifth, he has the power to administratively and economically penalize staff and workers who have violated the regulations or negatively gone slow in their work according to state regulations. Sixth, he has the power to draw 25 percent of the total amount of floating wages to directly award cadres and staff and workers who have contributed to production and work. Seventh, he has the autonomy to decide on the production and management of the enterprise.

Since this contract system allows full management autonomy, we can conduct in-depth reform within the enterprise and raise the technological level of enterprise production. Only in this way can we manage with flexibility and according to market changes and can high economic return for the enterprise be guaranteed. First, we installed large-scale equipment and introduced technological renovation. Before the contract, more than 90 percent of our equipment was produced in the 1950s and with local methods. In order to respond to market competition and production needs, we learned from the Japanese experience in the reinvigoration of their machinery industry. On one hand we canceled plans for the building of workshops, residential quarters, and dining halls and pooled the funds to renovate the equipment. On the other hand, we implemented fast depreciation and shortened the length of depreciation of our equipment. After 1983 the length of depreciation of our equipment was shortened to seven years and the depreciation rate was 14.3 percent. Currently 90 percent of our equipment was produced after 1983 and the coefficient of the newness of our equipment is as high as 0.77. We excel in our field in terms of the technological level of equipment. With material and technological conditions that allow us to compete with large state-owned enterprises, we can create high economic returns for our enterprise. Since 1983, the quality of our products has been steadily improving and we have been awarded a

silver medal by the state. Our production efficiency has been rising. The all-personnel labor productivity rose from 10988 yuan in 1982 to 25500 yuan in 1987 which was 1.3 times. It was the highest in the trade in China.

Second, we have autonomy over labor administration in our enterprise. Before the contract, enterprise recruitment was uniformly conducted by the township. Conditions of recruitment and number of people needed were all decided by the township. The township considered only the employment of surplus rural labor, but not so much the need of enterprises to develop. After the contract we obtained autonomy over recruitment and dismissal and now we can recruit and dismiss workers according to the development and characteristics of our production. The quality of the workers has clearly improved. We also actively recruit and absorb technological personnel and university students through many channels and spend a lot on intellectual investment. In the last few years we invested a total of 0.43 million yuan on it.

Third, we actively participate in market competition and make decisions in time according to market conditions. For example, at the national automobile parts order placement fair at Jiaonan county, Shandong Province, we grasped the right opportunity and made a timely decision to make larger sales at a smaller profit. On the basis of price for each vehicle we lowered the price of products by 20 percent. In this way we won some customers and occupied and expanded our domestic market. Afterwards we carried out internal reform and strengthened our administration and then lowered our product costs by 39.5 percent on the basis of expanded production. We were able to stabilize the prices and consolidate our position in the market. If we had had to get approval on every decision like we did before the contract, we would not have dared to do all the above and the result is predictable. In sum, enterprises without management autonomy are likely to fail in international competition.

The Experimental Share System Has Played an Important Role in Raising Economic Results.

We started to experiment with the share system before the 13th Party Congress. Practice shows that the implementation of the share system has the functions of pooling idle capital and guaranteeing expanded reproduction. It also helps to raise the economic returns to enterprises. This is because the share system can promote the further integration of the interests of the state, enterprises, and individuals. When all parties hold shares, they will shoulder risks in competition and benefit from profits together.

First, when the state buys shares, it adds an additional economic means to the use of legislative means to control enterprises. It can provide an enterprise with a direction for development, information about the domestic and international markets, and opinions and

suggestions on its internal management. This helps to guarantee the right direction for enterprise management and to raise the economic returns to enterprises.

Next, I will talk about staff and workers buying shares. Currently our factory has 0.4 million yuan of share capital from individuals. It is not a large amount, but it plays an important role. At least it helps to keep the staff and workers together. In the last three decades or more, we have been saying that staff and workers are the masters of enterprises, but people have always found such a statement abstract. Now staff and workers can buy shares and so the economic interest of the producers and the results of management and long-range development of enterprises can be integrated. Not only can staff and workers work more to earn more, at year's end they can also receive dividends. For this reason staff and workers are more aware of performing their role as masters in production. They attach importance to product quality, economizing, and market changes. Meanwhile, they are more aware of exercising their supervisory power on the decisions of the enterprise management. If the management has made a wrong decision or has not carried out a decision for a sufficiently long time, the economic returns to the enterprise will drop and staff and workers will not just let it be. The manager may serve only one or two terms as factory director, but the staff and workers rely on the enterprise on a long-term basis. Therefore the latter feel differently before and after buying the enterprise's shares. After buying shares the staff and workers will surely consider the long-term interest of the enterprise. This is why in integrating the share system with the contract management responsibility system, we can also integrate the self interest of the staff and workers with the development of the enterprise and make staff and workers feel they are true masters.

Lastly, I wish to point out that the reason that we peasants can establish and manage modernized factories is because we learn the management methods and skills from state-owned enterprises. State-owned enterprises are superior to township and town enterprises in level of technology and management and quality of personnel. Once they have true autonomy in management and decision-making and deepen their internal reform, their economic returns will rise quickly and they should be able to surpass us again.

Ten Years of Political Studies—An Interview With Wang Huling

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[Article by QIUSHI reporter Liu Wei 0491 0251—first paragraph is QIUSHI introduction]

[Text] Wang Huling was born in Shanghai in October 1955. He graduated from the International Political Department of Fudan University in 1981 after obtaining a masters degree in law and is now an associate professor

at Fudan University; a member and deputy secretary-general of the Chinese Society of Political Science's council; a member of the Council of the Shanghai Society of Political Science; vice chairman of Shanghai Administrative and Management Society; a member of the Shanghai International Problem Research Center's Experts Group; and a specially invited research fellow of the Research Office of the Organization Department under the Shanghai Municipal CPC Committee. His main works include: *A Comparative Political Analysis, State Sovereignty, An Analysis of Contemporary Western Political Science, and An Analysis of Administrative Ecology*. He has edited, or participated in the editing of, the following books: *An Outline of Political Science and An Introduction to Administrative Studies*.

Liu: Since the 3d Plenary Session of the 11th CPC Central Committee, a lively situation has been gradually created in social science circles in our country. This has been markedly reflected in the fact that new subjects for learning are coming to the fore in turn, and the old subjects valuable to modern life have been restored. Political science, which has been restored, has been developing fairly well in recent years, and the whole of society has paid more and more attention to it. Could you tell us the basic situation of the development of political science in our country?

Wang: Political science in China is an old subject of learning but we may also say that it is a new subject. We say it is an old subject because as early as during the warring period of Spring and Autumn there was a variety of political theories in our country. However, China's traditional political science was devoid of a standardized and comprehensive system. It lacked strict, or stricter concepts. In the middle of the 19th century the big warships and guns of the Western powers forced open the doors of China which had been locked against the world for a long time. They also brought to China Western-style political science. During the period from the end of the 19th century to early 20th century, a comparatively rigorous Western-style political science developed in China to a considerable extent. In 1932, a political studies association with over 80 members was established in China. Some universities and colleges set up political departments, translating and publishing a fairly large number of books on political science.

Liu: The political science situation was similar to that of sociology before liberation. Their fate was also the same after liberation. In 1952, faculties and departments in relevant universities were readjusted. From 1952 to the end of the 1970's, political science and sociology as a complete disciplines of learning disappeared in China. What was the reason for that?

Wang: I think that there are three factors contributing to this. First, with few exceptions our political science before liberation was a theoretical system based mainly on concepts and the political framework from Western political science. With the founding of the PRC the old

political science was deprived of its practical basis for existence. Second, at that time we were influenced by the Soviet Union, and the structure of our social sciences was transformed in accordance with the Soviet pattern. In the Soviet Union, political science was replaced by the theories on state and law, and historical materialism. We also followed their pattern. Third, since our epistemology was influenced by the Soviet Union, we believed that the power of a socialist country belonged to the people, and that the problem between the ruling and the ruled had been basically solved. Therefore it was unnecessary for us to study political science, because it covered issues such as the use of power and so on. These three factors could originally be overcome. For instance, regarding the first factor, as long as we had a correct understanding we could eradicate it. We could establish a new concept and theoretical framework. It was unnecessary for us to go so far as to abolish political science. It was also unnecessary for us to deprive it of its chance for revival. This reflected one aspect of the evil influence of the "leftist" ideological trends over the development of social sciences in China, and our practical work as well.

Wang: Strictly speaking, we began to restore our political science in 1980. At the end of 1980, a meeting was held in Beijing which was attended by 150 people and a national organization, the Political Science Society, was established. In the meantime the Chinese Academy of Social Sciences set about establishing the Institute of Political Science and some local political science societies were established in turn. Beijing University, Fudan University, Jilin University and other universities and colleges also recruited undergraduate and post graduate political science students. In recent years many noted foreign political science experts have come to China to visit or give lectures. Many Chinese political science scholars have also gone abroad on academic exchanges. In 1984, the Chinese Political Science Society joined the International Political Science Society. Such international exchanges have vigorously promoted political studies at home.

I think that there are three main reasons contributing to the restoration and rapid development in political science. First, it was a retroaction against the "Great Cultural Revolution." The "Great Cultural Revolution" was an unprecedented political catastrophe. It enabled the Chinese people to come to a conclusion: We lacked a scientific and rational system governing the use and restriction on political power. To avoid the repetition of a political tragedy like the "Great Cultural Revolution" it is necessary to establish a scientific political system suitable for our national conditions. We cannot but seek the help of studying political science to establish a scientific political system. Second, we need political science in order to implement a policy of reform and opening up. After 1978, the policy of reform and opening up was first implemented in the economic field. However, economic activities are inseparably linked with political conduct, political consciousness, the political system, political procedures, and so on. Socialist planned

economy, or commodity economy, involves political problems. For example, whether we can successfully handle the problem of streamlining government organs and delegating power will inevitably affect our economic life. Third, since implementing the policy of reform and opening up, the concept of democracy and participating in government and political affairs has become increasingly stronger in the Chinese people. This has become a vigorous force in current Chinese society. To turn such a powerful force into a driving force for modernization, we need the guidance of political science. The process of reform is a process of the people's increasing participation in social affairs. The reform demands that more and more people give play to their subjective initiative and carry forward a democratic spirit. If we do well in providing guidance for people's desire to participate in political affairs, and for their democratic aspirations, this will promote the development of society. However, if we lack the necessary procedures and mechanisms, or adopt a laissez-faire attitude, this will become a factor which affects the stability of society.

Liu: In recent years I have successively read articles and books on political science. When I finish reading these articles, or close the books, the following idea keeps coming into my mind: When promoting our political studies it seems that we have paid too much attention to qualitative analysis at the expense of quantitative analysis. For example, some articles or books rest content with macroscopic descriptions of the issues of the state, class, and so on, but pay no heed to the operational mechanisms of specific political systems. This is closely connected with the research work by the Marxist school in the political science field before liberation. In the 1930s and 1940s, political works by Deng Chumin, Li Jiannong, and so on, whom people called Marxist political scientists, also laid particular stress on qualitative analysis. Before liberation, Marxist political science in China attached too much attention to qualitative analysis at the expense of quantitative analysis. It was excusable for it to do so because at that time Marxism was not our country's guiding ideology. Giving macroscopic publicity to Marxist political ideology could help people deepen their overall understanding of Marxism from a certain aspect. Today, Marxism has struck root in the hearts of the people, and has become the state guiding ideology. If we still follow the old path of laying particular stress on qualitative analysis at the expense of quantitative analysis, political science can only become vague and general. In the early 20th century, with the development of science and technology, the ideological trend of scientism rose in the Western political science field. Society showed concern for this ideological trend because it attached importance to quantitative analysis. It set a good example in attaching importance to the behaviorism of political operational procedures. Can we learn some methods for study from Western scientism and behaviorism?

Wang: Those who are engaged in the study of political science, and certain middle-aged and young scholars in particular, have realized the defects of the study methods

of understanding concepts for concepts' sake, and understanding theory for theory's sake. Some people have urged a change in the situation, and there are both objective and subjective reasons contributing to the situation. Objectively speaking, this has been connected with the study methods of political scientists of the Marxist school before liberation. Subjectively speaking, the most important reason is that many people fear the possibility of getting into trouble through studying the practical political operations issue. During the time when ultraleftist ideological trends ran rampant, an individual or a group of people would suffer because of a wrong viewpoints. Many people still have lingering fears about that. Generally speaking, making use of the existing macroscopic theoretical framework to carry out a qualitative analysis is safer than quantitative analysis based mainly on practical political procedures. In addition, quantitative analysis is much more difficult than qualitative analysis. In the past, qualitative analysis was based on book knowledge. However, while carrying out quantitative analysis we should do a lot of social investigation work. A higher level of knowledge in mathematics and statistics is also needed. Many people are scared to conduct quantitative analysis because of its difficulties. We were once assigned a project in the Seventh 5-Year Plan. We needed to issue questionnaires and to do some statistical work. When we asked the departments in charge of practical work to issue questionnaires, many units were afraid of difficulties, and feared the possibility of getting into trouble. They did everything possible to avoid the work.

With regard to learning the method of study from Western scientism and behaviorism, I think it is necessary for us so to do. However, I am opposed to the practice of jumping from one extreme to the other. We should lay equal emphasis on qualitative and quantitative study. Scientism opposes the qualitative analysis of traditionalism method. It studies social psychology, geography, biology, and statistics as political science, and tries to turn political science into an "experimental science." Behaviorism, which rose after World War II, has inherited and developed the study method of scientism. It attaches importance to data, quantity, pattern, and statistics, and seeks "pure science." Because scientism and behaviorism pay too much attention to quantitative study, and neglect macroscopic qualitative analysis, they divorce themselves from important political problems which affect society and this has been criticized in the West for a long time. In the late 1960's, behaviorism was severely challenged. Its dominant position in Western political science study has been replaced by "later behaviorism [hou xing wei zhu yi 0683 5887 3634 0031 5030]." We should draw a lesson from the development process of scientism and behaviorism. We should realize that without quantitative analysis, qualitative analysis tends to become vague and general, and without qualitative analysis, our quantitative analysis will go astray. Of course, considering that currently in China we lack qualitative analysis in our political studies, it is absolutely necessary to advocate quantitative

analysis. When studying political science it is necessary to learn from each other's methods of study despite different cultural conditions. We should learn from the strong points of others to offset our weaknesses. This has now become an important topic for discussion in the world political science field.

Liu: The restoration and development of political science go hand in hand with progress in the reform and opening up. In the general process of reform and opening up, what kind of positive role has the study of political science played?

This is a question which is difficult to answer accurately and completely, because sometimes political science has produced influence over society's overall progress in an obvious way. However, the influence is mostly imperceptible and has been hidden at the lowest rung of social progress. As far as obvious influences are concerned, they can be summed up as follows: 1) For a long period of time after the founding of the People's Republic, we equated political activities with class struggle. When we talked about politics we always linked this with class struggle. In recent years, scholars have discussed the concept of "politics" profoundly. Although their viewpoints are not identical they unanimously accept the point that politics does not mean class struggle. This has gotten rid of the ultraleftist understanding of politics, and has paved the way for the study of political science, so that it can penetrate into and meddle in life. 2) When studying political science people discuss the functions of the state. This has effectively updated people's concept of the state. When traditional theories are used to discuss the functions of socialist states, "dictatorship" is over-emphasized. In recent years political science scholars have successively published articles stressing that with the transformation of ownership of the means of production, and the elimination of the exploiting class, the functions of the state have been changed completely. The most important functions of the state are to develop economic, scientific, educational, and cultural undertakings. Even in a society where class confrontation has existed, the functions of the state are not limited to "dictatorship" alone. 3) Various discussions in the political science field on government working personnel, and on abolishing life-long tenure for leading cadres in particular, guarantee the smooth progress of reform and opening up. The long-standing question of life-long tenure for leading cadres is a major obstacle to the reform of China's political system. The party and government have attached importance to the viewpoints put forward by scholars on abolishing life-long tenure for leading cadres. The relevant stipulations have been included in our 1982 Constitution. Our scholars have also widely discussed the issues of election, recruitment, appointment and removal, impeachment, change of posts, term of office, and retirement of cadres. They have put forward many useful proposals. 4) Regarding political structural reform and political democratization, our political science scholars have also done a lot of work. For example, they

democratization issue through such measures as improving the NPC system, perfecting the election system, improving party leadership, reforming the cadre system, and so on. In recent years they have also put forward many useful suggestions on: Separating the party from government; separating the government from enterprises; streamlining government organs and delegating power; building local and village organs of power; building political parties; political consultation; political policy decisions; public administration; and so on. 5) Political science has also made contributions to the study of comparative political studies. Reform and opening up have demanded that we have a bigger and better understanding of the whole world. In recent years our political science scholars have done unprecedented work in studying the political systems of various countries, their political policy decisions, political patterns, and so on. Their work is significantly valuable to the Chinese people, and has helped them widen their vision and rectify their thinking so that they better know their position in society.

Liu: Considering the tradition of the past several thousand years in China, and the practical reality, I think that the problem of political democratization is still an important issue which political science and the Chinese people are facing. I would like to know your views on this issue.

Wang: When talking about political democratization I think that we should, first of all, consider the society's capability to accept it. We should neither suppress people's demand for political democratization nor spoil it by excessive enthusiasm. The political science scholars' sense of responsibility should be based on possibility and feasibility. They should make a serious analysis of present conditions in China, so that they can provide the possibilities and feasibilities realizing political democratization.

In recent years, many people have talked a lot about democracy. However, I think that there is one problem which people have neglected and this is: Democracy is not only an abstract principle but also a project which involves many technical problems. Philosophical studies on democracy can be carried out in an abstract way. However, while carrying out political studies on democracy we should do our best to pay attention to operational problems, otherwise no effective results can be produced. Democratic politics contains two aspects: 1) The question of principle—what kind of political life is most suitable for the full development of mankind? 2) The technical question—what kind of procedure is useful for the realization of democratic principle? Without this procedure, the principle of democracy will not be truly effective. We should draw a lesson from our previous discussion on democratic politics. Everybody talked a lot about the principle of democracy but they neglected technical work in democratic procedure. As a result it was impossible to realize an effective political democracy. Technically speaking, democracy is a project which

can be divided into many parts. When we specifically study these parts we will easily understand that democracy can be manipulated. For example, when currently electing responsible persons to governments at all levels, we are gradually promoting an election system where more candidates are nominated than the actual numbers elected. To ensure true democracy in such elections, a scientific operation is needed for the whole process of the election. The work of setting the ratio between the candidates and the actual number elected, the method for introducing the candidates to the public, and the way of counting the ballots, and so on, are technical processes which should be considered. If someone with ulterior motives fails to develop the process in a scientific way, but gets up to little tricks to manipulate the election, or if voters are misled due to unscientific election procedures, the election will be devoid of democratic value even though the form of democratic election has existed.

Liu: The process of reform and opening up in China is also a process of China advancing toward the world. This contains the issue of our political science advancing toward the world. In this process, what should we do?

Wang: There is a lot we should do. First of all, because we started rather late in promoting our systematic and standardized study of political science, and in addition to the over 30 years' suspension after liberation, the overall level of our study is not high. It is therefore necessary for us to promote our self-improvement as early as possible, so that we will be qualified to conduct a dialogue with relevant researchers in political science from various countries in the world. Furthermore, with regard to the study method, we should make a great breakthrough. While persisting with the historical materialism method, we should also adopt methods which are commonly used in various countries, such as quantitative statistics, computer analogue, digital models, case studies, on-the-spot investigations, and so on. We should also work together with political scientists from various countries to seek a common language and standards to solve important problems which mankind commonly faces. Because cultural tradition and practical conditions in the various countries are different, there is this or that kind of barrier between political scientists from the various countries. However, Western political scientists are not monolithic. In August this year, the International Association of Political Science held its 14th Congress in the United States, mainly to discuss the issue of developing a worldwide political science so that political studies in various countries can be linked.

Liu: What should political scientists and society do in order to enhance our level of study in political science?

Wang: As far as political scientists are concerned, they must have the courage to make explorations, and the ambition to improve the current situation in the study of political science in China. This is rather difficult to do because our present political scientists experienced the

10 years of upheaval, and their fear of "leftist" ideological trends has not been completely eliminated. In addition, there are many forbidden zones in political science, and scholars can easily "overstep the bounds." Many political scientists shrink back at the sight of the difficulties in blazing new trails. Furthermore, I hope that more and more political scientists will understand that the study of political science cannot be separated from practical life. It cannot be carried out merely as an academic exercise. Otherwise, political science will lose its value of existence. We should not study political science merely for the sake of politics either. Otherwise, political science will be deprived of its scientific spirit. Political studies should be organically combined with practical life. Political science is learning about humanity [ren dao 0086 6670]. Our basic purpose in studying is to promote the development of character [ren ge 0086 2706] and human nature [ren xing 0086 1840]. The direct result of studying political science is the establishment of a perfect political system. The establishment of a perfect political system will provide conditions for the full emancipation of man. The above-mentioned three problems concern the mental development of our political scientists. I believe that the settlement of these problems will lay a solid foundation for enhancing the level of study of our political science.

As far as society is concerned, the most important thing it should do is to create a relaxed atmosphere. The creation of a relaxed atmosphere is beneficial to the mental development of our political scientists. Over the past ten years our country has made great progress in academic and political tolerance [kuan rong 1401 1369]. Some questions which could not be discussed in the past, such as the leadership method of the ruling party, supervision over political power, the functions and powers of the NPC, and so on, have now been widely discussed. Tolerance and democracy should be coordinated. One of the important implications of democracy is to respect our people's right to express their views. Even if their views are different from ours, we should let them speak out and discuss matters with us on an equal basis. The tolerance which our political science needs is not only the tolerance shown by various social quarters for society, but also the tolerance among our political scientists themselves. Such tolerance is a reliable guarantee for the development of political science.

Verses Dedicated to Marx's Tomb

HK3110110188 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 p 25

[Poem by Liu Danian 0491 1129 1628]

[Text]

Having visited the land of the mulberry bow at
Trier,

I have now come to pay my respects at High Gate.

With stretches of mounds inside the cemetery and the traffic outside,

One really has to open one's eyes to look for the gates.

Before this quaint new monument seven feet tall,

Flowers and grass are sparse.

From East Asia this white-haired man in black has come,

And he wonders how anyone can cross the Tower Bridge without feeling something.

From Engels one hears the most succinct of words,

Here we have two great masters that have changed the world.

Beneath these spring trees of High Gate,

One can image the day when the speech was given.

The sand grains at the bottom of the sea are afloat,

The winds spread the chattering of the men of Chu.

These ingenious lines of the poet Du that I recite,

Are carried by rivers flow eternally on.

The above were the four verses that I composed when I visited Marx's tomb on 22 November 1987. Trier was the birth place of Karl Marx, which I visited the year before last when I went to the Federal Republic of Germany to attend a history conference. The mulberry bow, short for the mulberry bow and the reed arrow, means a bow made of mulberry wood and an arrow made of reed stalk. In the old days, a mulberry bow and a reed arrow was usually put by the side of a new-born baby boy in the hope that he would grow up to be a man of great ambitions. For this reason, the term the mulberry bow and the reed arrow symbolizes a boy's place of birth. The tomb at High Gate was rebuilt in 1963. The original tomb was located in a damp, lowlying spot in the woods about 100 meters away from the present site. The Tower Bridge is a bridge on the Thames in London. At the funeral of Marx, Engels pointed out in his speech that Marx had made two major discoveries, namely surplus value and historical materialism. Sand grains at the bottom of the sea were the words of Plekhanov, who once said that since the birth of Marxist teachings, people who attacked them were numerous like sand grains at the bottom of the sea. The chattering of the men of Chu is a line taken from the book *Mencius*, which

says: "With one man from Qi tutoring the boy and a host of Chu men chattering around him, even though you caned him everyday to make him speak Qi, you would not succeed."

Scientifically Apply the 'Criterion of Productive Forces'

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in Chinese No 7, 1 Oct 88 pp 26-28

[Article By Zhou Keyong from the Party School of Taiyuan City's CPC Committee 0719 0344 1661]

[Text] The scientific nature of the "criterion of productive forces" is theoretically indubitable. However, in order to translate the "criterion of productive forces" into an enormous social material force, we need to scientifically apply the "criterion of productive forces" in practice.

First and foremost, productive forces are an integral system. Productive forces are not only the combination of various partial productive forces but also the organic unity of various specific productive forces. In a series of classical works, Marx repeatedly put forward and applied a lot of concepts regarding various specific "productive forces" by grouping them in pairs; for example, the material productive force - the spiritual productive force, the objective productive force - the subjective productive force, the materialized productive force - the general productive force, the actual productive force - the latent productive force, the social productive force - the natural productive force, and so on.¹ Besides, in accordance with a series of expositions made by Marx and Engels in respect to spiritual practice and social practice, we can also sum up some new concepts of "productive forces" by grouping them in the following pairs: the individual productive force - the collective productive force, the departmental productive force - the overall productive force, the quantity productive force - the quality productive force, the short-term productive force - the long-term productive force, and so on. These various specific productive forces can be divided into two major categories in accordance to their respective effectiveness: One is the direct productive forces which exist in the production activities and are used for creating social material wealth; the others are indirect productive forces which do not exist in the production activities and which are used for increasing the "latent potentialities" of the key elements of the "direct productive forces." All these various types of specific productive forces have formed an organic whole, namely, the system of productive forces which is the "basic criterion" of social development, in the process of mutual conditioning and mutual transformation.

On the basis of such an understanding, "developing productive forces" also means, in the first place, to achieve an all-round development of the productive forces, which means to not only develop the partial and departmental productive forces but also to ultimately

develop the overall productive forces of the whole society so as to increase the "aggregate productive forces."² In the next place, "developing productive forces" means to achieve a comprehensive development of the productive forces, which means not only to develop the "hardware" of the productive forces (which refer to the material, realistic, and direct productive forces) but also to develop the "software" of the productive forces (which refer to the non-material, latent, and indirect productive forces). Thus the development of productive forces is not only determined by material production but also determined by economic life, both of which play a decisive role in the entire course of the development of the productive forces. The development of the productive forces is also determined by all the activities in social practice which ultimately promotes the development of the productive forces through various intermediary links.

Engels once pointed out that the "entire great development of human history is achieved in the process of mutual conditioning." "Here, nothing is absolute and everything is relative."³ Regarding some people's vulgar understanding of the "decisive role of the economy," Engels sharply pointed out: "Hence if somebody twists this into saying that the economic element is the only determining one, he transforms that proposition into a meaningless, abstract, and senseless phrase."⁴ Acquiring a good understanding of Engels' view will be of great significance to our grasping the scientific nature of the criterion of productive forces correctly.

Secondly, the development of the productive forces is also a continuous and constantly changing dynamic historical process. In such a continuous and constantly changing dynamic historical process, all the direct and indirect consequences caused by the utilization of and changes in the productive forces at a certain historical stage will become the premise and starting point for the continued existence and development of the productive forces at the next historical stage. With regard to this, Marx once pointed out: "Every productive force is an acquired force, the product of former activity. The productive forces are, therefore, the result of practical human energy; but this energy is itself circumscribed by the conditions in which men find themselves, by the productive forces already acquired, by the social form which exists before they do, which they do not create, which is the product of the preceding generation."⁵ As a matter of fact, it is owing to the dynamic nature of the productive forces that the social production of mankind and the entire social life of mankind have demonstrated their continued existence and development. It is owing to the dynamic nature of the productive forces that the development of the productive forces themselves has thus become qualified to be the fundamental criterion for testing all the activities of social life.

It is very important for us to understand this fact because only by proceeding from such an understanding will we, on the premise of the criterion of productive forces, be

able to correctly observe the relationship between immediate interests and long-term interests brought about by various types of social behavior; and not regard the development of the productive forces simply as an isolated activity aimed at "accomplishing the whole task at one stroke." Only by regarding the development of the productive forces as a dynamic historical process and by placing all social activities and their results in such a dynamic historical process will we be able to accurately grasp and apply the criterion of productive forces by proceeding from the unity of reality and the future, which are opposites to each other.

Whether or not a social policy, reform measure, a type of behavior, or a selection mechanism is in consonance with the criterion of productive forces is not only determined by whether or not it can result in a partial, direct, and immediate development of the productive forces (though this is one of the important criteria) but also determined by whether or not it can stand the test of the overall development of the productive forces and the development of history; that is, whether or not such a social policy, reform measure, behavior, or selection mechanism (1) can promote (or at least not impede) the development of the integral and indirect productive forces while promoting the development of the partial and direct productive forces; (2) can enable the development of the existing productive forces and the results of their development to become the premise and a higher starting point for the smooth development of the productive forces at the next stage. The integrity and the historical and dynamic nature of the productive forces are the two basic criteria for measuring all activities of social life. Failure to correctly understand and apply these two basic criteria will make it impossible for us to truly understand the scientific nature of the "criterion of productive forces."

At present, some people have developed a vulgar understanding of the "criterion of productive forces." Such a vulgar understanding has abstracted the criterion of productive forces into "all means capable of bringing about immediate material benefits." According to such a vulgar understanding, to develop the productive forces means to develop all the means capable of bringing about immediate material benefits. It seems that so long as the means to be used can bring about direct and immediate material benefits to a particular person (or group), they should be deemed as consonant with the criterion of productive forces. On the contrary, all the other activities of social practice which cannot bring about direct and immediate material benefits to a particular person or group should be eliminated by the criterion of productive forces. Such short-sighted pragmatism has not only negated the guiding role of theory in nature but has also created a worrying tendency toward short-term social behavior in practice, thus resulting in a series of conflicts in the systematic development of the productive forces.

1. The conflict between various partial productive forces and between partial productive force and integral productive force. Such a conflict will result in the following two consequences: First, various regions and departments will carry out development according to their own plans with each "clearing the snow from its own doorstep" without taking into account the overall interests of the whole country and will even shift their own troubles onto others to benefit themselves at others' expense. Second, the decisionmakers will be keen on "adding flowers to the brocade" by formulating policies to subsidize and stimulate the development of the developed regions and departments at the expense of the interests of the underdeveloped regions and departments. As a result, the disproportionate economic and cultural developments among various regions and departments will be gradually intensified and the growth of aggregate social productive forces will be hampered.

2. The conflict between the development of a social productive force and the development of natural productive force. Forests, land, minerals, water conservancy, ecological environment, and so on, which participate as key elements of the production, are a type of "uncompensated natural productive force."⁶ The formation of these resources will usually take tens, hundreds, and even millions of years. Blind, uncoordinated, and low-quality "exploitation" will destroy all these precious natural resources and cause enormous and irredeemable losses to the whole country. To put it bluntly, such a practice of pursuing only immediate interests by ignoring long-term interests of the country is no doubt one which will destroy the country's future.

3. The conflict between the development of a direct productive force (which includes material, objective, and realistic productive forces) and indirect productive force (which includes spiritual, subjective, and latent productive forces). Such a conflict can be seen in the antithesis between the economic practice and other social practices: Profit-making enterprises survive whereas "losing" enterprises are eliminated. Owing to the existence of such a selection mechanism, education, publishing, cultural, athletic, and some other undertakings are forced to turn themselves into profit-making undertakings. As a result, the research on a lot of basic social science theories has been suspended for a long time. The building of the spiritual civilization, which consists of ideological and political work, ethical and ideal education, education on moral integrity, and so on, has been slowed down whereas the practice aimed at seeking quick success and instant benefit and pursuing "material benefits" has prevailed and has seriously disrupted the "ecological balance" of the system of productive forces. So, on the one hand, the development of the productive forces calls for an overall improvement of the quality of the workers, and on the other hand, the mentality that "learning is useless" again prevails in society. On the one hand, the development of the productive forces calls for the full participation of all the scientific and technological factors, and on the other hand, the application of the results

of the scientific and technological research to the production sphere is obstructed. On the one hand, the development of the productive forces calls for the training of large numbers of qualified professionals, and on the other, large numbers of qualified professionals are leaving the country. On the one hand, the development of the productive forces calls for the creation of a fine social environment and a greater national centripetal force, and on the other, the whole country lacks effective social control and a sound cultural conformity. We can predict that if we allowed such conflict to develop unchecked, one day we would have to slow down the process of building socialist modernization to make way for some readjustments in our work because we would inevitably encounter a "prostration" in the development of the productive forces.

4. The conflict between the quantity productive forces and quality productive forces. The "quality" development of productive forces is usually preceded by a "preparatory period" of materialization and relies on various active social practices outside the production process and on the full development of the indirect productive force (such as the improvement of the physical, psychological, and technological qualities of the reserve labor force, the renovation of equipment, the application of science and technology, the rationalization of distribution of work, coordination, and management, the smoothing out of various economic channels, the improvement of the social and cultural environments, and so on). However, the social short-term behavior is aimed only at utilizing the existing productive forces and is content with only tapping the latent potentialities within the "quality" scope of the existing productive forces (for example, being content with the overuse of the existing machines and equipment, "overtime work" of the poor-quality labor force, and so on). However, the quantity contained within the limit of a certain quality is limited. If we did not pay attention to improving the quality and only tried to make the best use of the quantity, it would be impossible for us to maintain a sustained development of our production even though our production might thrive for a short period of time. The grave fact that every year, some 70,000 town and township enterprises are eliminated in our country has set people thinking.

At present, a series of problems caused by social short-term behavior has, to a certain extent, become a realistic force hampering the overall and rapid development of the productive forces. It is undeniable that a great variety of social short-term behavior have indeed brought about some good economic results and have promoted the development of the direct productive force within a certain scope. However, we should understand that such a partial and short-term development of the productive forces still falls short of the demand of the "basic criterion" of the development of productive forces. This is because first, such partial and one-sided development will probably result in a decrease in the aggregate productive forces; second, such partial and one-sided development is of a temporary nature, can only "kill the hen

to get the eggs," and is immediately followed by a stagnation and retrogression in the development of the productive forces at the next stage.

History advances amidst contradictions. As a price paid for such advancement, the great development of the productive forces has been accompanied by labor pains. The above-mentioned various types of conflicts are, in a sense, unavoidable in the course of the development of the productive forces. So there is nothing to be afraid of when confronting these conflicts. However, it must be stressed that our main efforts should be concentrated on promoting the realistic development of the direct productive force because the realistic development of the direct productive force can not only satisfy the urgent needs of the social reality but is also the indispensable basis for the overall and sustained development of the productive forces. However, stressing the development of the direct productive force in no way means that we can pay less attention to the development of the indirect productive force and ignore the continuity in the development of the productive forces, nor does it mean that we can lower our guard against the present trend of social short-term behavior and a series of problems caused by such trend and allow them to develop unchecked. In order to guarantee the overall and sustained development of the aggregate social productive forces, we must break with the short-sighted pragmatism, adopt the outlook of comprehensive relation and mutual transformation, adhere to the scientific criterion of productive forces, and try our best to grasp the dialectic unity between the development of the direct productive force and the development of the indirect productive force and between short-term and the long-term development.

Footnotes

1. Please refer to Marx's *Capital*, *Manuscripts of Economics*, *Theory of Surplus Value*, and so on.
2. *Selected Works of Marx and Engels*, Volume 1, Page 272.
3. *Selected Works of Marx and Engels*, Volume 4, Page 487.
4. *Selected Works of Marx and Engels*, Volume 4, Page 477.
5. *Selected Works of Marx and Engels*, Volume 4, Page 321.
6. *Selected Works of Marx and Engels*, Volume 25, Page 840.

Further Exploration of the Road to Urbanization in Rural China

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[Article by Guo Shutian 6753 2579 3944 and Liu Chunbin 0491 4783 1755 from the Ministry of Agriculture Policy and Law Department]

[Text] The urbanization of China consists of two aspects. The first is the development of the existing over 300 cities and the second is the urbanization of rural areas. This article focuses on the second aspect.

I. Thirty-two or 12 Percent—An Analysis of the Status Quo of Urbanization in Our Country

One of the basic criteria in evaluating the degree of a country's urbanization is the proportion of urban population to total population. Some Chinese and foreign scholars have asserted that China's rural population accounts for 68 percent and its urban population for 32 percent of the total population.¹ However, in light of the data available, this is not true.

According to data provided by the Ministry of Public Security, the country's urban population totaled 211.87 million by the end of 1985 and, if the rural population residing in suburban counties subordinate to cities was not counted, the urban population would be reduced to only 118.26 million. In other words, the real urban population in the country accounts for less than 12 percent of the total population. According to data provided by the Ministry of Urban and Rural Construction and Environmental Protection, by the end of 1986 the non-agricultural population residing in cities and towns totaled 175 million, with nearly 60 million living in towns. If the 60 million non-agricultural residents living in towns are deducted from the 175 million non-agricultural residents living in cities and towns, then the real urban population also accounts for nearly 12 percent of the total population. Even if the non-agricultural population living in towns is taken into account, the urban population scarcely exceeds 17 percent of the country's total population. If one turns to statistical data from various administrative divisions, one will find that the urban population rises to 340 million, including 165 million rural population. This discrepancy is due to two reasons: first, as the system of city administration over counties has been introduced during the past few years, the rural population of all the counties that have been taken under the jurisdiction of cities has been counted as part of the urban population; and second, many counties have been turned into cities, for example Jingmen County in Hubei Province has been changed into Jingmen City and thus listed as a large city with 1 million population, but in fact only 200,000 of its residents live in urban districts and the rest are pure peasants.

In our opinion it is not suitable to count the population living in rural areas under the jurisdiction of cities as part of the urban population based on administrative division, since this may cause a considerable discrepancy in our judgment on China's urbanization standard.

Another fact that should also be taken into consideration in analyzing the status quo of China's urbanization is that, in recent years, some peasants have gone to cities to work and some have simply settled there, giving up grain rations granted by the state. It is estimated that some 15 million peasants are now working in cities and several million peasants have moved into towns and settled there. They form an interim population in China's urbanization process. Even if these peasants are counted as part of the urban population, China's urbanization level is still quite low.

That China has a very low urbanization level is mainly because the guideline discouraging development of cities has played a dominant part in formulating the national development strategy over the years. In the early 1960's, more than 20 million workers migrated to rural areas; and then, during the drive urging educated urban youth to go to work in the countryside and mountain areas in the late 1960's, another 20 million young people were sent to rural areas. What is most significant is that for a long time China strictly enforced a discriminating policy toward urban and rural areas, with regard to more than a dozen specific systems concerning household registration, housing, grain and non-staple food supply, education, public health, employment, insurance, and so on. This policy has divided urban and rural areas into two entirely different parts and classified citizens into two categories that sharply contrast with each other.

After the 3d Plenary Session of the 11th CPC Central Committee, in the wake of rural reform and development, a large army of latent surplus agricultural labor force began to appear which made an impact on the continued practice guided by the ideology discouraging urbanization. Document No. 1 issued by the CPC Central Committee in 1985 announced permission for peasants to migrate to cities to run businesses, provided that they could supply themselves with grain. This policy and the practice that followed it are undoubtedly a historical progress, and they have drawn wide attention and aroused enthusiastic discussion among theoreticians on the urbanization of rural China.

II. A Difficult Choice—What Path Should China Follow in Its Urbanization Process?

With regard to the choice of the roads to urbanization in rural China, the guiding ideology that has played a leading role in the past few years suggests that peasants should be separated from the land but not from the village, and should enter the plant but not the town; and measures should be taken to actively develop small towns to accommodate hundreds of millions of surplus agricultural labor force. Although there is a divergence of

opinion on specific policies, all those who hold to this guideline unanimously agree that Chinese peasants cannot move into cities, lest China follow the same old disastrous road that Western capitalist countries have taken. They think that solving the problem of surplus labor force locally is a way to urbanize rural areas with Chinese characteristics.

The theory of "solving the problem locally" is mainly based on the assumption that the existing large cities in China already have too large populations, and medium- and small-sized cities must not be allowed to develop into new large cities. With the currently available financial and material resources the state cannot afford to build new cities to accommodate hundreds of millions of peasants from the surplus labor force flowing in from rural areas. To accommodate a worker in an urban industrial enterprise the state has to invest some 10,000 yuan in fixed assets and an extra 5,000 yuan in social welfare. The state just does not have that amount of money, the only way out is to: develop township and town enterprises; promote the diversified economy; build tens of thousands of small towns in rural areas; and thus industrialize and urbanize rural areas step by step.² If 100 million rural residents are allowed to enter cities, this will mean building 100 medium-sized cities each with a 1 million population. In light of the present serious shortage of job opportunities, housing, and public facilities in cities, the state just cannot afford such an abrupt increase in the urban population.³

Indeed, the development of township and town enterprises has played a positive role in transforming the rural production structure, accommodating the surplus rural labor force, increasing the peasants' income, and promoting agricultural development. However, the principle of "solving the problem locally" has also given rise to some noteworthy issues during the past few years.

1. The economic return on funds is not good enough. Most public facilities built in small towns are seldom used and the economic results from investment are pretty poor. For example, in many small towns peasants raised funds or secured loans to build cinemas. As these facilities are left unused almost the whole year round, the income arising is not even enough to pay the rather low wages of their staff, let alone retrieve the initial investment in the construction of these cinemas which cost hundreds of thousands, or even over one million, yuan each. A certain town in Hebei Province is a typical case of small town development. This town invested 2.3 million yuan (investment in land not included) to build a street for commerce, and the per-capita daily turnover of the most efficient shop in this street is only 30 yuan, with a gross profit of about 4 yuan.

2. There is a serious waste of land. China's rural areas are now facing two serious problems. On the one hand the surplus agricultural labor force is increasing dramatically, and on the other the area of farmland is decreasing sharply. Since the founding of the PRC, a total of 500

million mu of waste land has been reclaimed. In the meantime, the area of land for non-agricultural use has increased to more than 500 million mu. As a result, the area of cultivated land has decreased. During the Sixth 5-Year Plan, the annual net arable land decreased to 7.38 million mu; the per-capita share of farmland decreased from an average 1.52 mu to 1.4 mu, and even dropped to less than 1 mu in $\frac{1}{2}$ of the provinces. ⁴ Farmland is extraordinarily limited in China with its extraordinarily large population. Therefore we must particularly treasure farmland. However, the policy of solving the problem locally has on the one hand led to a boom of township and town enterprises which occupy much larger plots of land than normal industrial enterprises and, on the other hand, the vast majority of peasants who hold permanent posts in these township and town enterprises continue to regard their ancestral villages as their real homes—as soon as they have earned enough money, they will try to expand their houses or build new ones. These are the two important reasons why farmland has decreased dramatically in recent years.

3. Resources are not used properly. A city is a spatial system built to produce and amass economic results. Citing London as an example, Engels said: "Such a massive concentration, with 2.5 million people massed in a single place in such a way, will augment the force of 2.5 million people by 100 times." ⁵ In other words, this will produce a concentrated collective force. However, the more than 10 million township and town enterprises run by Chinese peasants, spreading over the vast rural areas and consisting of hundreds of thousands of small villages, was not well organized and thus collective results could not be obtained. Moreover, as most township and town industrial enterprises are using energy-consuming equipment abandoned by large industrial enterprises in cities, the waste of energy and other resources is a common phenomenon. The policy of solving the problem locally will also help retain the old rural life style. Nowadays, there are still 1.5 billion people in the world who rely on firewood as their energy source, and Chinese peasants make up half of this total. The use of a lot of biological energy resources has not only led to the waste of 90 percent of energy but will also seriously destroy the whole agricultural ecological system.

4. The policy of solving the problem locally is unfavorable to environmental protection. Since hundreds of thousands of small industrial enterprises are distributed over an immense area, the administration costs for these enterprises are very high or it is simply impossible to govern them. As a result, pollution has become an ever more serious problem. From 1984 to 1985, the China Preventive Medicine Center sent more than 1,000 medical workers to carry out a systematic survey in over 12,000 township and town enterprises in 7 provinces, autonomous regions, and municipalities. The survey revealed that the percentage of principal harmful materials in the air, such as lead, benzene, silicon dust, and asbestos, exceeds state health standards by several to

over 1,000 times. ⁶ During the past few years, highly polluting industrial enterprises in many cities have been moved to rural areas and turned into township and town enterprises, aggravating pollution and making pollution prevention more difficult. Indeed, small industrial enterprises are polluting rivers, underground water, the air, and farmland to varying extents. So far the area of farmland polluted by township and town industrial enterprises amounts to 28 million mu, which accounts for 34 percent of the total area of polluted land in the country.

5. It is difficult to implement the birth control plan. The policy of one child for each couple has now been widely accepted by urban residents in China but in rural areas, peasant families will not accept it if they have no son; and some peasants even refuse to accept the policy of two children for each couple. This attitude has considerably reduced the efficiency of the family planning policy. Only by speeding up the urbanization process will China be able to fulfill its birth control plan. If one insists that urbanization in rural areas, where 80 percent of China's population live, will cause a population explosion and therefore the only way out is to solve the problem locally, then China's population problem will certainly be aggravated.

6. It is unfavorable to the in-depth development of both political and economic structural reform. The policy of solving the problem locally will retain the old rural production mode and lifestyle basically intact. This production mode and lifestyle, "though appearing to be harmless at first sight, are after all the firm basis of oriental despotism; they will confine people's thinking to an extremely small range and turn them into superstitious and tame slaves who know nothing but to obey traditional rules and show no greatness nor historical originality." ⁷ If we try to maintain such a structure and encourage its development, then we will not be able to completely destroy the basis on which feudalism and bureaucratism survive. Thus it will be even more difficult to build and improve new political and economic structures in China.

To sum up, urbanization through the policy of "solving the problem locally" will involve a high price but produce poor results and pretty bad side effects. Therefore, from a long-term point of view, this is not an ideal road toward the urbanization of rural China. In our opinion, in developing industries in our rural areas we must observe the law of industrial economy and take the road of "concentration-type" urbanization. In other words we should encourage the peasants to quit the farmland and their villages, work in plants, and settle in towns, with a view to scoring concentrated economic results, promoting the second and third rounds of industrial development step by step, and pushing for population concentration. Our reason is that industry, with some features different from those of agriculture, cannot be carried out in a decentralized production way like agriculture. The policy of encouraging every village to operate its own

industry does not conform with the economic law for industrial development. Furthermore, as we are now facing the challenge from the new technological revolution, traditional industrial enterprises spreading over hundreds of thousands of villages can never suit the new situation. However, if we adopt the "centralized" urbanization model and encourage the peasants to go to cities, we will be able to totally change the "binary structure" characterized by separation between town and country and between industry and agriculture. Thus we will be able to transfer a large army of surplus agricultural labor force to the industrial sector thereby speeding up industrial development, pushing ahead the modernization of industry and, at the same time, preparing conditions for the large-scale management and modernization of agriculture.

III. Our Proposal—Go All Out To Develop Medium-Sized Cities

In following the road of "centralized" urbanization we must place stress on the development of medium-sized cities. This has two implications: First, we should actively develop suitable medium-sized cities into large ones; and second, we should actively develop suitable small-sized cities into medium-sized ones. According to our concrete tentative plan, existing medium-sized cities where the conditions (including infrastructure, energy resources, water resources, geographical position, climatic environment, and so on) are ripe should be expanded into large cities each with a population of one million. Meanwhile, we may select more than 1,000 county towns and small-sized cities enjoying favorable conditions and build them into new medium-sized cities. The development of extra-large cities should be brought under control, while some small towns should be properly maintained, transformed, and developed. In the short run we should work out specific policies to vigorously develop county towns. From now on in rural areas, we should concentrate large-scale industrial investment in county towns as far as we can. Those county towns where the conditions are ripe should draw up their construction plans based on the standards for medium-sized cities as soon as possible.

Both the comrades in favor of the urbanization policy of "solving the problem locally" and those who prefer the policy of "centralized" urbanization agree that China's population distribution pattern should consist of the following levels: Village, town, small city, medium city, and large city. In fact, this pattern is common to many other countries. Small cities and towns are by no means China's special products. Nobody expects only large and medium cities and rural areas but no small cities and towns in China. What is the key difference between these two views? It merely lies in the proportion of different sectors of population distribution. The basic quantity determines the basic direction, nature, and content of a matter. Those who hold to the former view believe that the majority or even the vast majority of the population living in the rural areas waiting to be urbanized should

be accommodated in small cities and towns, and in small industrial enterprises in rural areas. Those who hold to the latter view insist that the majority of the population in the rural areas waiting to be urbanized should be accommodated in medium cities that are to be built mainly by the peasants on their own.

Some comrades always oppose the development of large and medium cities, arguing that China is short of financial resources. However, as everybody knows, large and medium cities are always built up step by step. For example, Shijiazhuang City was a small village more than 70 years ago. It gradually developed into a town, then a small city, and then a medium city, in the wake of developments in communications and due to its position as a railway transportation hub. Today, it has emerged as a large city with one million people living in its downtown districts. It is unrealistic to ask the state to invest a lump sum of hundreds of billions of yuan in urban construction. Also, in suggesting that cities be built up by the peasants on their own, we do not mean that the peasants should give hundreds of billions of yuan in one lump. Instead, we maintain that a policy encouraging peasants to invest in medium and small cities, and relevant support measures (including legal guarantees), should be drawn up and implemented so that doubts and worries can be dismissed from peasants' minds. Let us cite the case of a county in Jiangsu Province as an example. This county previously had 63 people's communes which were later changed into 63 townships. Today all these townships are to be developed into small towns. But we may wonder whether the results would be better if we persuaded the peasants to appropriately concentrate their material and financial resources to build one or two medium-sized cities and five to eight small towns instead? Our answer to this question is affirmative.

The degree of urbanization is a criterion in evaluating a country's achievement in industrialization and modernization. According to studies made by foreign experts (quantitative studies in the same field have never been made in China), a small city with some 50,000 residents can enjoy a pretty good living environment but its urban economic efficiency is poor; in the wake of population growth, the city's economic efficiency will show a tendency to improve; when its population rises to over 250,000 its economic efficiency will be improved substantially. Medium-sized cities in China enjoy an economic efficiency comparable to that of ordinary large cities. China has 70 medium-sized cities with populations of 200,000 to 500,000. Their per-capita production value almost doubles that of small cities, not to mention small towns. The strategy in favor of developing small towns will never bring us massive economic returns and social benefits [she hui xiao yi 4357 2585 2400 4135], and thus it will delay the process of economic modernization in China.

What is the essential distinction between the "centralizing" strategy that we suggest and the road to urbanization that developed countries have taken? Everyone who

has read Marx's *Das Kapital* and Engels' *The Condition of the Working Class in England* will have been deeply impressed by the miserable situation in Britain as a typical capitalist country in the course of industrialization and urbanization. That was a completely chaotic urbanization with absolutely no plan or order. The vast number of farmers, forced to leave the villages where they had lived for generations, were driven into cities. Of course the situation has changed greatly in modern capitalist countries, but undoubtedly all of them have undergone a rather long and painful process of industrialization and urbanization. What we are going to choose is a road of socialist urbanization with Chinese characteristics. Chinese peasants, especially young peasants, have a strong desire to enjoy urban and industrial civilization, and the socialist system should provide them with an environment to produce wealth and build their cities, and should also allow them to give full play to their tremendous potential.

After making a fact-finding tour of some cities and towns in China, experts from the World Bank noted that the development of cities is a natural process and any attempt to obstruct this process will cost a huge price. We agree with the first statement but disagree with the second one. We must say that the first statement reflects, to a certain extent, the true course of urbanization in capitalist countries. That is, the increasingly serious "urban syndrome" as a result of the laissez-faire policy which allows cities to develop in their natural way, free from any interference and planning control. Such a trend can be clearly seen in the cases of some developing countries. For example, Mexico City and Brazil's Sao Paulo and Rio de Janeiro have a population of nearly ten million each. Some countries have half their population concentrated in a single city. For us, our correct principle should give full play to the superiority of the socialist system, and enable us to speed up the process of urbanization step by step in a planned way. We must regulate the expansion of extra-large cities and vigorously develop medium cities, so as to build up a number of agreeable and neat cities of an appropriate size and with balanced structures in China.

We place stress on the development of medium cities because they can serve as the link between large and small cities, and can fulfill the requirements for industrial development, enjoying quite favorable conditions in the fields of energy resources, communications, telecommunications, science and technology, information, and finance. But this does not mean that small towns should not be built up in rural areas. On the contrary, small towns will inevitably emerge as the main centers for redistribution, trade, and primary processing of agricultural products, and all supporting services will also develop in the wake of the commodity economy boom in rural areas. At the same time, in light of local conditions some smokeless industries which rely heavily on manual labor can also be developed along with household industries. These small towns and medium cities, linked together, will form an urbanization network.

IV. Urbanization of Rural Areas Is the Only Way to National Modernization

Modern social development has shown that the city is the central arena for human activities, and that urbanization is a worldwide historical trend. In the early 19th century the urban population accounted for only three percent or so of the total population of the world, rising to over 14 percent in the early 20th century, and reaching 42 percent by the 1980's. An estimate by the United Nations indicates that by the end of this century 50 percent of the world's population will be living in cities, and the percentage will further soar to 80 percent by the mid-21st century. Therefore we need to step up the urbanization process.

In recent years there has been an "anti-urbanization" phenomenon in developed countries. As more and more people are moving to suburban areas, new small towns are emerging and metropolitan downtown areas are becoming less attractive. As some American scholars appreciate China's strategy for development of small towns, so some of our comrades now more firmly believe that our way to promote industrialization and urbanization, by developing small-scale industries and small towns in rural areas, is of universal significance to other developing countries.

We think this view overlooks the fundamental difference between qualitative and quantitative development of urbanization and confuses different developmental stages. Small towns in developed countries are based on a highly developed economy and supported by enormous material wealth and advanced science and technology. A series of tools for modern information exchanges, including modern telecommunication facilities, telex, and microcomputers, well-developed highway and air transport networks, the popularization of private cars, and the use of mini-airplanes, have considerably shortened geographical distances, enabling people to travel to large cities within a very short time. By the way, large and medium cities are by no means declining in developed countries. Instead, they are continuing to improve and develop and they still remain economic, political, and social centers in these countries. The so-called "anti-urbanization" is in fact a qualitative upgrade of urbanization which is in line with the information age. Therefore one must never rashly conclude that developed countries have taken a roundabout course in their urbanization process.

It is generally accepted that urbanization is the consequence of industrialization. However, in light of China's actual experience in economic and social development, we deeply feel that urbanization is definitely not merely a passive and negative consequence of industrialization. Instead, it can counteract powerfully in pushing for the accomplishment of industrialization. Industrialization and urbanization are by no means two separate or

contradicting concepts. Therefore, a correct macroscopic judgment can only be reached after an overall consideration is made of the industrialization and urbanization issue in rural China.

A typical view holds that China is experiencing an industrial revolution and following a path which is different from that of Western countries. The most active force supporting this industrial revolution in China does not rest on large cities but on rural areas and small towns. This judgment has ignored not only the general law of industrialization and urbanization but also the economic reality in cities and rural areas, seeing merely the surface of industrial development in rural areas. The way out for industrial development in rural China is to transform into urban industries. Practice in some economically developed areas has shown that industrial enterprises in small towns which are undergoing the transition from the initial to a more advanced stage, especially those which need to introduce high technology, are gathering into cities in various forms of association or merger, with a view to enjoying the advantages of industrial consortiums and to raising their competitive power on the market. For this reason, the present lag in urbanization of rural areas badly needs to be changed and the pace must be amended in the urbanization process of the whole country. The positive historical role of rural industries and small towns lies only in the fact that they serve as an intermediate link when China is accomplishing its industrialization and urbanization process.

Rural industries enable the old-fashioned peasants to have access to modern industrial civilization (but not contemporary industrial civilization on the whole), thus causing a change in the rural production structure and making a profound impact on the peasants' concepts and values. However, the industrial boom in rural areas is not a result of implementing the plan for rural area urbanization that we have drawn up, but a full display of the peasants' long-suppressed economic desire for wealth under a relaxed socio-economic environment. If we continue to follow the current urbanization trend in rural areas and develop small towns, will we be able to accomplish the industrialization and urbanization of rural China? About this we are not optimistic. At present, rural industries mainly comprise small-scale and handicraft industries which are isolated from the urban large-scale industrial system, but always rely on it for survival. China's rural areas need an industrial revolution with large-scale industries as their mainstay and core, and the existing rural industrial setup is obviously not up to this important task. It is difficult for rural industries spreading over the vast rural areas to quickly and efficiently gather all kinds of production elements and produce massive economic results. Without concentration and a moderate production scale there will be no modern large-scale industries. Of course, it is good to develop a number of medium and small industrial enterprises in the suburbs of some large cities to support

modern large-scale industries. But this just indicates that where industries gather should mainly be cities rather than enlarged villages—small towns.

The way out for rural industries lies in the transformation of their main bodies into urban industries, and the future of a small number of small towns rests on their developing into cities. In this connection, we must conscientiously restudy some of the current specific policies and reform many of them.

Footnotes

1. GUANGMING RIBAO, 31 January, 1987.
2. HONGQI, No 6, 1986, p 46.
3. NONGMIN RIBAO, 24 June 1986.
4. JINGJI RIBAO, 10 December 1986.
5. *The Collected Works of Marx and Engels*, Vol 2, p 303.
6. JIANKANG BAO, 28 November 1985.
7. *The Collected Works of Marx and Engels*, Vol 2, p 67.

Noneconomic Reflection on Problems of Reform in China

HK2510070388 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 pp 35-36

[Article by Wang Huning 3769 3337 1337 of Fudan University: originally published in Shanghai SHIJIE JINGJI DAobao 29 Aug 88, p 11—first paragraph printed in boldface]

[Text] With the deepening of reform, the disorderliness in all social areas has perplexed us. Obviously, economic reflection alone is not enough. From a non-economic angle, we may find a series of acute problems.

1. Is There an Indestructible Old Order?

An important target of reform is to change the traditional structure characterized by excessive centralization, and to adopt a new structure. In fact, the traditional structure or the old order, so to speak, was not that solid when China's reform was initiated, and it had never been capable of conducting efficient unified leadership in various state activities. Because the state's administrative system was often lashed after the founding of the PRC. The "cultural revolution" negated the structure before it, while the period of reform began shortly after the "cultural revolution." A transitional period marked by gradualism was absent in between, and a sense of "losing control" was keenly felt. Despite the gigantic size of the administrative system, long-term disturbances had

greatly weakened its functions. Misunderstanding is liable to take place should we fail to differentiate between the conditions. Consequently, the old order, which was anything but solid, was excessively lashed at.

2. Is China a Fully Economy-Oriented [Jingji hua 4842 3444 0553] Society?

The majority of people think negatively about this issue. Chinese society is beginning to become economy-oriented, but is far from being fully economy-oriented. Basically, China had been a society typical of political mobilization since the founding of the PRC; in other words, it was a politicized society prior to reform, and a society coordinated and controlled by political force. The target of reform is to change the society into one coordinated and controlled by economic forces. At best, however, we are now in a period of transition from the former pattern to the latter. Objective reality requires us to reflect on problems in line with the basic characteristics of a society in transformation, while refraining from designing reformative measures in the conception of a fictional economy-oriented society, and giving up the indispensable non-economic coordination and control mechanism of a changing society. The confusion and thorny issues surfacing in reform now have something to do with our understanding of the basic social mechanism. As our society is not fully economically-oriented, it is inappropriate to say that economic forces can achieve everything, nor is it proper to say that economic forces can replace political forces in an all-round way. Neglecting the role of political force will lead to failing to grasp the characteristics of a society in transformation.

3. Are the Government Functions Ready for All-Round Conversion?

One of the starting points of China's reform is to relegate to enterprises some of the power and functions that used to belong to the government, so that enterprises may genuinely become independent economic bodies. This line of thinking is totally rational. However, the change in the functions of any political system involves certain external conditions. Government's intervention in the economy has taken shape since the founding of the PRC. On the one hand, it was a copy of Stalin's pattern; on the other, it was required by the objective conditions, namely, the shortage of natural resources, or a "short-supply economy." Under such circumstances, the government had to play the role of economic coordination, or conduct direct intervention. Ample natural resources are the basis for the all-round conversion of government functions. The blueprint for reform is "the market guiding the government." Of course, such a phenomenon has taken place chiefly in local governments, while local enterprises have not yet found a real market, because it has not yet taken shape. Therefore, they have to rely on local governments to resolve the scarcity in natural resources. The power relegated to enterprises is quite beyond their capability, while the functions that should be converted have not been, due to the pressure of

economic movement. Because of the stress on converting functions, local governments have been at a loss: Should they be in charge regarding certain matters or not? The activities between local governments have intensified, but a unified central coordinating mechanism is absent.

A Survey of Implementation of the System of Leasing of Enterprise by All Personnel in Fushun Steel Works

HK2510070388 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 pp 37-40

[Article by Dai Hongwu 2071 7703 2976 and Liu Baoshan 0491 1405 3790]

[Text] Fushun Steel Mill was a large state-owned enterprise in Liaoning Province, and was one of the province's 10 "special reform experimental spots." The mill owned fixed assets totalling 420 million yuan and employed 27,000 staff and workers. Under it were 18 subsidiary plants and 35 workshops. After adopting an accounting system on a smaller unit basis, it switched its practice from centralized planning and decision-making to centralized planning and multi-level decision-making, carried out preliminary changes in the closed and ossified internal management system of the enterprise, and to a certain extent mobilized the initiative of leaders of subsidiary plants. However, the internal vitality of the enterprise was not yet fully tapped and its economic results were not remarkably improved because the relations of duty, right, and interests between the mill and its subsidiary plants, and between such plants and their workers, were still confused. In order to find a new way to enliven large- and medium-sized enterprises, they had implemented in some plants and departments since last year the system of leasing and contracted business, and they used in a creative way the method of operation by all personnel, that is, the "system of leasing by all personnel."

1. Effects of the "System of Leasing by All Personnel"

The steel pipes subsidiary plant was Fushun Steel Mill's first unit adopting the "system of leasing by all personnel" on a trial basis. While its main product was stainless steel pipes, it currently was producing seven products in 92 specifications. Its designed annual capacity was 2,000 tons. Before it was offered to lease, its annual profit ranged between 1.28 and 1.67 million yuan. After the implementation of the system, the mentality of 733 personnel, including 161 under the collective system, of the whole plant was profoundly changed, and they no longer disregarded the development of the enterprise or shirked their responsibilities. Section heads and shift supervisors voluntarily requested work, workers voluntarily worked hard to earn their living, supervisors and assisting staff worked hard at their production sites, and even their families were concerned about the production and business results of the enterprise. Anything that would undermine the interests of the enterprise would be condemned by them.

After the steel pipes plant implemented the system, it achieved unexpectedly good results just within six months, and it accomplished all quotas at a record high level. Its man-hour for work completion, labor productivity and output between January and June this year respectively increased by 77.9, 45.1 and 66.6 percent compared to the same period last year. Its reject rate, rate of material consumption per ton and rate of repair cost per ton respectively dropped 31.72, 12.75 and 3.24 percent. Its rate of profit, amount of achieved profit and tax delivery, and per capita wages of personnel respectively increased by 61.55, 5.25 and 1.8 times. Now, when many similar enterprises currently encounter difficulties, this plant sharply improves its economic results, which has shown that this reform is feasible.

II. Specific Steps of the "System of Leasing by All Personnel"

Fushun Steel Mill stipulated that under the prerequisite of maintaining the relations between the mill and the plant, and maintaining the nature of ownership and the delivery channels, it leased to the plant's personnel the operation of the plant, for which a three year contract was concluded on January 1, 1987; and formulated corresponding regulations on rent, guaranty fund, responsibility of operation, relationship of distribution, and authority of operation.

First, determination of rent. The basic rent was three times the average profit achieved by the plant over the previous three years, that is 400 yuan, and its annual growth rate for the following two years was fixed at 20 percent. Payment of the rent was made to the mill from its sales profit.

Second, composition of guaranty fund. In order to make each of the personnel become aware of his own responsibility and risks, the leaser must pay a guaranty fund. The source and composition of the fund was divided into two parts: The first part was cash and personal properties of personnel, totalling 376,000 yuan, used as security, called static security; and the second part was 92,000 yuan of the grade one fixed wages of the personnel, 39,000 yuan or 40 percent of the amount represented by the promotion index of floating wages, and 145,000 yuan of comprehensive bonuses and the bonus monthly payable to the personnel for production conservation, totalling 276,000 yuan, called the dynamic security. The sum of these two parts was 652,000 yuan. There were also provisions on the amount of guaranty fund according to the duty, rights and interests of every worker. Both the CPC committee secretary and the trade union chairman acted as guarantors for representative of the legal person, and each made a payment of 2,000 yuan as security. The deputy manager and deputy secretary of the plant each made a payment of 1,500 yuan as security; whereas ordinary cadres and section heads paid 1,000 yuan, and workers 500 yuan. Besides, about one-third of the personnel voluntarily paid the fund an amount exceeding what was required, so that 30,000 yuan of guaranty fund

was received, or 138 yuan on average more than the required amount payable by each person. The mill checked and calculated the personal properties portion of the plant's static security, while the financial department recorded the amount and it was provided that none of these properties could be sold within the three years.

Third, separation of duty from interests. According to the provisions, the plant should, when paying its monthly basic rent, continue to maintain its original fixed wages, enjoy the same benefits and treatment on the livelihood of ordinary personnel offered by the mill, and maintain a normal wage increase index. When it failed to pay the basic rent, such liability should be made good by the guaranty fund on a proportional basis, and the plant's basic wages and bonuses would be deducted. Any profit exceeding the basic rent would be totally retained by the enterprise according to law. Of the amount, 45 percent would be used as a fund for the production department, 20 percent used as welfare funds, and 35 percent for bonuses. In addition, there were further provisions on the production department fund and bonuses: (1) A certain fraction of its profits retained as production department funds by the plant each year from its excessive portion of profits should be used as a fund for technological transformation and should be delivered to the mill together with depreciation cost for overall transformation, and the mill would allocate the sum to the plant in the light of the situation. (2) The mill would, in the light of the situation about production and operation of the subsidiary plant, retain an amount not exceeding five percent of the sum of excessively delivered profits and bonuses to use as they please. The amount of wages and bonuses receivable from the plant would be paid in advance in the light of the situation of such rent payment, and would be settled by the end of each year. Besides, in the case that any material incidents involving personal injuries and equipment damage took place during the lease term, the personnel of the plant would take on the necessary financial responsibilities. The plant manager would be the representative of the personnel granted such lease. He would enjoy the authority of business operator, while bearing all legal responsibilities concerning the enterprise. They summed up this leasing system as: the substitution of profit delivery by rent payment, periodical payment of funds, compensation for failure of payment, withholding of profits by the plant, distribution of after-tax profits on a proportional basis, monthly advance payment, and settlement by the end of each year.

Fourth, division of operation authority. Fushun Steel Mill stipulated specific provisions on the operation authority of the leased subsidiary plant: (1) It had the right to elect its own "leasing committee," which would elect from among itself its representative to act as its manager. (2) Its deputy manager would be nominated by the manager based on the opinion of the CPC committee, and would be reported to the mill for the record. (3) It had the right to form its own organizational structure,

and make decisions on reform measures for its labor system, distribution system and other areas. (4) It had the right to sell its products, purchase necessary materials and fix its price upon completion of the mandatory plans assigned by the mill. It might also commission the mill to, on its behalf, place orders and sell products at a price fixed by the mill. (5) It had the right to develop the business of "concentrating on a single trade while diversifying the operation," and might engage in work of comprehensive utilization and intensified processing. (6) It had the right to develop varied forms of lateral economic combine. (7) The relations between the plant and various functionary departments and offices were those under the economic contract, rather than being subordinate. No department of the mill was allowed to apportion expenses to or ask for bonuses from the plant under any pretext. (8) The plant had to be subject to the supervision of the auditing department at any time.

III. To Speed Up Corresponding Reforms by Centering on Leasing

The relations of duty, rights and interests between the plant and the mill were settled in a better way after the implementation of the leasing system. The plant had its power to make decisions on its production and operation. But this only provided the preconditions for boosting the internal vitality of the plant, and it did not enliven the enterprise as it did not deal with the internal relations for forming a motive force in the enterprise. Only when the mill divided the pressure on the plant into fractional pressures on each of the personnel would it be possible to change the pressure into the motive force, and to change the motive force into vitality. In order to achieve this, it had to speed up the corresponding reforms of the enterprise. Therefore, the "leasing committee" instructed the manager to adopt two reform measures for strengthening the leasing mechanism.

First, reform of personnel system. Appointment of deputy manager was offered by the manager, and appointment of department heads, section heads (without any workshop director), and team leaders was offered on a level basis; whereas the organization of workers was formed without restrictions.

Second, reform of distribution system. In accordance with the importance of contribution, the plant narrowed as much as possible the gap between the income of leading cadres and that of workers under the precondition of giving "bonuses in lieu of wages" and appropriately widening the income difference of workers. (1) Bonuses were given in accordance with the type of work. To give bonuses in terms of percentage points, they worked out an 8-grade economic responsibility system for centralized assessment of work in accordance with the standard of distribution at various posts. The average percentage points for these grades were 1.3 for the manager and the CPC committee secretary, 1.2 for the deputy manager, deputy secretary and trade union chairman, 1.1 for section heads, party branch secretary,

functionary team leaders and CYL committee secretary, 0.95 for ordinary cadres of the organization, 1.05 for production workers, 1.0 for assisting workers, 0.9 for logistics personnel, and 0.5 for apprentices. (2) Bonuses were given to departments on a level basis. A monthly sum of bonuses payable to the departments, offices, sections and production units was calculated according to their bonus coefficients and results of actual assessment. Then each of the departments worked out their own distribution methods on the basis of such sums, and distributed the bonuses to their personnel according to their bonus coefficients and actual performance. For example, the billet supply section substituted the fixed wages system by the system of piece-work wages. Other sections also worked out a system for bonus calculation in accordance with the responsibility, labor intensity, technical skills, performance of workers and situation of their task accomplishment. (3) Bonus for special contribution was given. In order to award engineers and technical personnel making special contributions, the plant withheld 5 percent of the bonuses as the manager's bonus fund so as to utilize limited bonuses onto the production section. (4) Equal pay for equal work of workers hired under the ownership by the collective. Many of the collective personnel in this plant had become members of the production core. In the past, however, their average monthly bonuses were 14.82 yuan fewer than those received by personnel hired under the ownership by the whole people, which seriously hampered the initiative of the collective personnel. After the plant was leased to the personnel hired under the ownership by the whole people, all personnel hired under both types of ownership shared the same status and enjoyed the same duty, rights, and interests.

IV. Adoption of Diversified Business Operation Marked by the System of Leasing by All Personnel

After Fushun Steel Mill leased this plant to its personnel, it also leased, in accordance with the situation, its machine-building subsidiary plant, transport subsidiary plant, air-conditioning workshop, hospital, guesthouse, and other independent departments to collectives and their own personnel for operation. It also contracted out the operation of its forging subsidiary plant, rolling subsidiary plant, and other departments of which the scale of fixed assets was large, in which the production process was closely linked, and which were not yet independent to collectives and their own personnel. Facts have shown that their economic results were sharply improved despite differences in the specific form of leasing and contracting. Compared to the same period last year, the overall output of and total number of products made by the mill in the first half of this year reached a record level. Its 16 major consumption indexes ranked top of the country. Also, the mill achieved a profit increase of 81.8 percent and its tax delivery was increased by 30.3 percent.

Fushun Steel Mill took the system of leasing by all personnel as the major content while using varied forms of leasing and contracting. Its success has indicated for us a new way of development.

First, the system of leasing by all personnel is a good way to coordinate the internal relationship of an enterprise. It is significant in that: First, it is favorable to coordinate the relations among the party, government and workers. As the CPC committee secretary and trade union chairman were guarantors of the manager and paid the same amount of guaranty fund as security, they took the same risks and enjoyed the same results of operation. They were thus bounded by the same internal economic interests, and shared the same destiny as the manager. This not only urged them to make concerted efforts to concentrate on the improvement of the enterprise's economic results, but also encouraged them to perform their functions well. Second, it is favorable to establish the key role of the manager. As the manager was appointed through election by the leasing committee, he must have been trusted by all personnel, thereby strengthening his key role in the enterprise; as well as providing guarantee for the implementation of responsibility system for manager, carrying out democratic supervision, and making decisions in a scientific way. Third, it is favorable to coordinate the relations between the business operator and the workers. As those who contracted the plant were the personnel, all personnel and leaders of the enterprise are thus bound by the same inherent economic interests. They took the same risks and enjoyed the same interests. Fourth, it is favorable to help the personnel make concerted efforts. As each of the personnel might take part in the process of decision-making through the leasing committee, they were really the masters of the enterprise, thereby fully mobilizing the initiative of the workers.

Second, the adoption of a diversified operation by a large enterprise may turn a closed, ossified production-type enterprise into a flexible, open production-and-operation type enterprise. In order to adopt a diversified operation mechanism in a large enterprise, we must use small accounting units. This approach is particularly suitable for large enterprises having multiple levels and varied departments. Through various types of operation mechanism, it helps large enterprises dissolve their long-standing rigid organizational structure. It turns its departments into relatively independent economic entities, so that the initiative of all departments at the same level can be mobilized, and the initiative of various levels is boosted.

Third, adoption of a diversified operation by large enterprises also helps us steer management work away from the approach of direct management to the indirect one, that is, to enter into economic contracts. Through varied forms of leasing and contracting, various departments of a large enterprise become relatively independent economic entities assuming sole responsibility for their profits and losses, and being closely linked together by means of economic contracts. Such a change in the administrative system inevitably brings about changes in the management work. The relations between the mill and its plants, and among various plants, which were previously the simple relations of subordination, were

replaced by economic relations based on contracts. In terms of management work, it was switched from the direct management approach to the indirect management approach. At the same time, it has put an end to the situation in which large enterprises frequently made incorrect decisions and blindly issued management directions because of differences in departmental nature, wide business scope, multiple management levels and poor management transparency. Only thus can we help large enterprises quickly transmit messages, make flexible and precise decisions, and develop in a clear and definite direction. Besides, the change in management work is significant in the improvement of the concept of law, as well as the personnel's ideology of independent operation; the promotion of personnel who desire to take part in democratic management, and the realization of the democratic management by them. In addition, the change in management work helps the plants and departments of large enterprises be freed from specific and cumbersome administrative affairs so that they can concentrate their efforts on planning, coordination and matters of great importance to the overall situation.

Reading *New Views on Epistemology*

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in Chinese No 7, 1 Oct 88 pp 41-42

[Article by Wang Pengling 3769 7720 0109 of the Chinese Academy of Social Sciences]

[Text] Orientation toward the subject and toward science are the two new tendencies which have appeared over the last few years in our country's epistemological research in the field of philosophy. Recently, Mr Qi Zhenhai [7871 2182 3189] sent me a copy of the book *New Views on Epistemology* (Below referred to as *New Views*), of which he was the chief editor. After reading this book, I gained a deeper understanding of these two new tendencies.

When we say that over last few years our country's philosophical workers have shifted their field of vision from class struggle and Marxist-Leninist books to the practice and the subject of knowledge, and shifted toward modern science, it mainly refers to the fact that in the last few decades a major proportion of the philosophical articles which have appeared in newspapers and periodicals in various places have been about the philosophical questions of the subject and modern science. Further, seen in terms of the appraisal of scientific research results, it appears that research into the questions of understanding the subject and understanding modern science have made more obvious advances. However, in all fairness, of the philosophical monographs which have been published in recent years, very few have been able to manifest these two tendencies in a quite centralized way, as well as does *New Views*. The reason the *New Views* are called "new" is firstly, I think, because these two tendencies run right through the book just like a main thread.

The authors use the relationship between subject and object as a central focus around which to arrange the chapters. This arrangement is based on the following thoughts of the authors:

"In the Marxist epistemological system, there are three main contradictions: the material and the spiritual, subject and object, and cognition and practice. Of these, the subject-object contradiction occupies the key position in the system of epistemological logic and is the key link connecting the other two contradictions." (p 84)

It is with this understanding that the authors simply move the basic question of philosophy—the relationship between the material and the spiritual—to within the scope of philosophical cognition. They believe that epistemology, as a branch or a part of philosophy, has its own special key question—the relationship between the subject and the object. However, the authors of *New Views* do not want to deny that the basic philosophical question also has an application in epistemology. Rather, they just say: "The relationship between the material and the spiritual is the precondition and basis for the relationship between the subject and the object." Thus, within the scope of philosophical epistemology, the former can be seen as a problem which has already been resolved. Using the words of the authors: "When we examine the relationship between the subject and the object, we cannot divorce ourselves from dialectical materialism's scientific resolution of the basic philosophical question." (p 84). In fact, if we recognize that epistemology is a relatively independent branch of philosophy, but are unable to uncover and master the specific contradictions of the epistemological system, then in fact it will be difficult, if not impossible, to carry out epistemological research worthy of the name. It is because of this that the authors' clear-headed understanding of the question is even more valuable!

Of course, the use of the subject-object relationship as a pivot around which to arrange the chapters does not necessarily mean that the characteristic of orienting towards the object can be manifested. This is because this arrangement, or this set-up, cannot naturally eliminate the situation of the object being in the central position and cannot naturally eliminate the situation of only understanding things, reality and perceptions from the angle of the subject. The authors recognize that both the subject and the object have subjective aspects. However, they stress that "Basically, the attribute of the object is its nature as a target, which it possesses by being the target of activities by the subject. The object is the direct target of the activities of the subject" (p 65). In my view, this shows: Although the authors do not deny the priority position of the natural world in respect to man and man's activities of cognition, within the scope of epistemology, they actually place the subject in the central position of the subject-object relationship. Thus there are two aspects. On the one hand, they posit the subject-object relationship as the center of the epistemological system, while on the other hand, they stress

determining and understanding the object from the angle of the subject. This results in *New Views* having a distinctive "subject nature."

Orientation toward modern science and placing stress on summing up and generalizing the new achievements of modern science from the high plane of philosophy is something every Marxist philosophy worker will deeply endorse. The problem lies in that this is not easy to do and it is even more difficult to do well. This is because philosophy and natural science are two different forms by which man grasps reality conceptually. While philosophy cannot replace natural science, natural science likewise is unable to provide ready-made answers for philosophy. Thus, simply repeating the conclusions of modern natural science, and even directly transferring the latter into philosophy, is something which must be strictly avoided by philosophy workers! What is worthy of attention is that the phenomenon of violation of this taboo still occurs in our country's philosophical circles. For example, in the last few years, some people have proposed that we should take the so-called material conception of ontology to be "the unity of thing and place." Some other people have proposed that "the material is the unity of mass, energy and information." There have been other similar proposals. Looking at *New Views* in an overall way, in each chapter and in every section, the authors have, as far as they have been able, drawn on the positive achievements of modern science and done all they can to bring to light the philosophical significance contained within them. This is particularly outstanding in Chapter 3 (Tools of Cognition), Chapter 4 (Methods of Cognition), Chapter 6 (Hazy Cognition and Precise Cognition) and Chapter 10 (The General Patterns of Cognitive Development). Although the chapters and sections are not always written as one would wish, there are indeed some new ideas in terms of selection of materials, viewpoint, summary and wording in some of the chapters. For example, in Chapter 4, after discussing the empirical cognitive method and the theoretical cognitive method, the authors, under the general heading "Comprehensive Cognitive Methods," also separately describe "the control theory method," "the information theory method," and "the systems theory method." I believe that this is a very good general heading! The reason that I say it is good is that "comprehensive cognitive methods" precisely summarizes the characteristics of control theory, information theory, systems theory, and similar transverse sciences and integral sciences. At the same time, it also reveals the tendency by which modern science and its methods, on their highly divided base, are moving toward a comprehensive entity. Just think, if the authors had firmly adhered to the existing model under which cognition can be divided into empirical cognition and theoretical cognition, and had therefore obstinately placed control theory, information theory and systems theory methods under the categories of empirical cognition or theoretical cognition, they would have made a foolish mistake. This is because these three methods can be used in the process of

empirical cognition as well as in the process of theoretical cognition. It may appear that this is only a question of some minor matters. But actually, for a serious scientific worker, his strict academic style and skill base are often manifested through these aspects which, although appearing small, are sufficient to show his capacity for summation and precision for linguistic expression.

New Views is a textbook written for upper-level philosophy major students at university. Of course its first consideration must be how to provide an overall and systematic knowledge of epistemology. Thus, the authors cannot just discuss their own independent academic views. On the contrary, they must as far as possible draw in new achievements in philosophical research from within the country and abroad and then systematize the information. This is extremely necessary for authors. In many chapters and sections, the authors have put forward original ideas on many questions. It is perhaps because of my work that I have a partiality for those chapters with many original ideas. For example, in section two of Chapter 4 in *New Views*, there is a piece entitled "The Relationship Between the Subject and the Object Using Tools as the Medium." This is quite inspirational. Although three-dimensional active system analysis was not first introduced to our country's philosophical circles by *New Views*, the book does have its own original views on it. This is manifested in that *New Views* abides by the methodological principle of the identity of logic and history and through the development of tools provides a perspective of the historical development of the subject-object relationship. It shows that the subject, precisely through its own creative activity—the activity of creating tools—actually establishes a multi-faceted subject-object relationship between itself and the external world. This is a process by which man, through his own creative activities, continually establishes, authenticates and strengthens his own position as subject in respect of the external world. At the same time, it is also a process of development of the subject-object relationship and of man's cognition. Also, the patterns or innate logic of the development of the relationship between the subject and the object and man's cognition are vitally manifested in this historical process which has both a periodic nature and a continuous nature. The authors put it this way:

"From ancient times, through recent times and up till contemporary times, major contradictions have appeared between the subject and the object on three occasions. The first occasion was the contradiction between man's natural limbs and the great amount of physical materials which had to be handled. The need to resolve this contradiction produced manual tools. The second was the contradiction between man's physical strength and objective need for a great amount of energy. Man's invention of various types of machines resolved this contradiction. The third occasion was the contradiction between the natural information processor which is man's brain and the vast amount of information which

needed to be processed. The appearance of the electronic computer provided a real possibility and broad prospects for resolving this contradiction. Taking this as the standard framework, we can say that the main target of mankind's knowledge has gradually changed from a natural object to a social object and then again to a thought object. The core of cognition has also gradually changed from physical materials to energy and then to information. All through, tools have been an extremely important motive force in this process of development." (p 77)

I think that after reading this section, every comrade who has some philosophical background will appreciate the efforts made by the authors in deeply understanding and skilfully utilizing the methodological principle of "the unity of logic and history." Regardless of whether or not we endorse the authors' views, we must recognize that the authors are putting forward their own views on the patterns of historical development of the subject-object relationship and man's cognition. I feel that the value of scientific research lies in innovation. In various senses, even if a person puts forward a new idea which subsequent practice proves to be wrong, if he has spoken in a reasonable way and has sufficient grounds for his statement, his "innovation" is much more valuable than the "regurgitation" we see from many people, even though the latter is factual. Of course, when I say this, I am not suggesting that the above viewpoints advanced by *New Views* are erroneous. What I am trying to stress is that *New Views* puts forward many new viewpoints, not only in the places mentioned above, but in other chapters and sections, such as in Chapter 3 (Tools of Cognition). This is the book's most desirable and most valuable aspect.

Although *New Views* is a textbook, it is at the same time also an exploratory philosophical work. As it is exploratory, obviously it cannot be perfect. Here I do not want to list out what I consider to be the weak-points and shortcomings of *New Views*. This is firstly because I am no expert and secondly because I feel that while there is a need for criticism in Marxist philosophical research work, there is a greater need to encourage innovation! Thus, unless one has some basically different ideas to other people's philosophical viewpoints, it is not really necessary to just point out the insufficiencies and weaknesses of the other party. In such a situation, letting the authors and readers think carefully and then think carefully again will be of greater benefit. However, I do not know if this idea goes against the "spirit of revolutionary criticism."

Interview With Young Theoreticians in Guangdong on Re-Evaluation of Socialism
HK2510055188 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 p 43

[Article by Yang Jianrong 2799 1696 2837 of Propaganda Department, Guangdong Provincial CPC Committee]

[Text] Not long ago, the propaganda department of the Guangdong Provincial CPC Committee and the Guangdong Provincial liaison group for the theoretical study of socialism at preliminary stage jointly held a forum at which some young theoreticians discussed a re-evaluation of socialism.

What is socialism? There has been a long-standing traditional concept that it was a political system ruled by communist party which was a follower of Marxism-Leninism and marked by a high degree of centralization of party administration and government supervision, and a socialist system marked by a highly centralized planned economic system on the basis of ownership by the state. The disadvantage of this pattern of socialism is that the high administrated economic system hampered the economic drive of the whole society, inevitably bringing about inefficient state-owned enterprises.

Major reasons for forming such an ossified socialist pattern are:

First, we negated the inevitable outcome of human economic activities, such as commodity economy and market economy, while negating capitalism, so that the development direction headed regressively toward the old economic pattern.

Second, we negated the objective reality concerning the principle of material benefits, as well as economic persons and free persons, while negating the capitalist private ownership. No matter what society it is, people's material needs and daily necessities rank at the top of the list. They will not have the initiative of production without their personal freedom of activities.

Third, though we adopted such concepts as public ownership and distribution according to work put forward by Marx while negating capitalism, we did not implement our specific work in a modern way. Instead, we replaced it by a feudalistic approach of undertaking small-scale production.

This thus led our socialist practical work to a setback.

The history of investigating and implementing socialism can be classified into five major categories: utopian socialism, scientific socialism, "revised" socialism, "orthodox" socialism, and scientific socialism through practice. To take practice as the yardstick for judgement, we shall discover that:

First, there are scientific elements in utopian socialism. The "practical system" proposed by Sheng Ximen [5110 6007 7024], and the "harmonious system" put forward by Fu Liye [0265 4539 0673], indicated the existence of scientific elements when being re-assessed in a socialist commodity economic society.

Second, there are unrealistic elements in scientific socialism. The theoretical pattern of socialism put forward by the scientific socialism founded by Marx and Engels could be simply expressed as: elimination of commodity currency plus public ownership plus planning plus distribution according to work. Our experience has shown that it is impossible to eliminate commodity currency by socialism. Likewise, it is impossible to eliminate private ownership by a single blow, or eliminate at least the private ownership based on individual labor. Under the commodity economic conditions, it is also impractical to simply implement the distribution according to work without taking into consideration other economic factors such as capital, land, knowledge, technology, and management skill.

Third, not everything belonging to "revised" socialism is false. Bernstein, founder of the "revisionism," put forward that the system and organizational structures of socialism might be in various forms due to difference in social development stage and experience. Socialization does not necessarily mean nationalization, elimination of market, or similar viewpoints. Objectively, it is a perfection and augmentation of Marx's scientific socialism.

Fourth, not everything of the "orthodox" socialism is genuine. The so-called "orthodox" socialism refers to Marxist theory on the founding of a socialism country through revolution by force, and the construction of socialism according to the scientific socialist pattern envisaged by Marx and Engels. Judging from the present point of view, the highly centralized socialism adopted by Stalin and the pattern of being "large in size and collective in nature" advocated by Mao Zedong were an ossified socialism pattern.

Fifth, socialism through practice is getting more scientific. The success of the proletariat in seizing political power by force is a necessary precondition for the investigation of scientific socialism only, but not a necessary precondition for concluding the transitional development of socialism from the utopian pattern to a scientific one. Some 400 years of theoretical investigation and experience in socialism showed that scientific socialism can only be constantly adjusted, developed and perfected through practice, and it cannot be set into a rigid pattern. Socialism through practice is one based on commodity economy. The operation and development of socialist commodity economy will make people thoroughly get rid of their traditional non-commodity economic socialist pattern and construct a new socialist pattern based on a new commodity economy.

Soviet Theoretical Circle's New Understanding of the Basic Contradiction of Socialism
HK1810153188 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 p 44

[Article By Xing Han 5281 3352 from China Academy of Social Sciences]

[Text] Recently, the Soviet theoretical circle held a symposium on the basic contradiction of socialism. At

the symposium, a lot of well-known scholars expounded their new understandings of this question. Generally speaking, this symposium can be described as follows: First, the symposium summed up several major views that have been expressed by personages of the Soviet theoretical circle on the question of the basic contradiction of socialism over the past few decades; second, the symposium broke with the conventions and put forward some new thoughts in conjunction with the Soviet practice of building socialism, studied the question of the basic contradiction of socialism, put forward a special criterion for determining the basic contradiction of socialism, and laid stress on the role played by man.

1. Generally speaking, at present, with regard to the question of the basic contradiction of socialism, within the Soviet theoretical circle, there are the following three major views:

The exponents of the first view hold that the contradiction between the growing demand of laborers and the actual level attained by the development of the material production is the basic contradiction of socialism.

The exponents of the the second view, which is supported by the majority of the Soviet scholars, holds that the contradiction between the development of productive forces and the relations of production or the contradiction between the form and contents of the socialist mode of production under the modern conditions is the basic contradiction of socialism.

The exponents of the third view hold that the contradiction between the aim of the communist formation and the conditions for realizing the aim of the communist formation is the basic contradiction of socialism.

The common characteristic of these three views is that all exponents of these views have analyzed the question of the basic contradiction of socialism from the economic point of view by proceeding from the general political concepts.

2. At the symposium, the personages of the Soviet theoretical circle put forward a "special criterion" for determining the basic contradiction of socialism.

An important characteristic of the symposium is that on the basis of summing up and analyzing all the previous discussions carried out by the Soviet theoretical circle with regard to the question of the basic contradiction of socialism, some Soviet scholars put forward a special criterion for determining the basic contradiction of socialism. The main contents of this special criterion for determining the basic contradiction of socialism are: 1) The basic contradiction of socialism is circumscribed by the general line guiding social development; 2) the basic contradiction of socialism is organically related with the basic law of the social development; 3) the basic contradiction of socialism can represent and embrace all the other contradictions inherent in the society and can

directly or indirectly determine all the basic questions in the society; and 4) stress must be laid on giving full scope to man's ability in the society when determining the basic contradiction of socialism. This is because the development of every sphere of social life depends on the full development of man's ability in the society. Ignoring this factor will make it impossible for people to fully understand the question of the basic contradiction of socialism.

3. At the symposium, the personages of the Soviet theoretical circle also put forward some "new thoughts" regarding the question of the basic contradiction of socialism.

On the basis of the special criterion for determining the basic contradiction of socialism, the personages of the Soviet theoretical circle put forward the following new view regarding the question of the basic contradiction of socialism: The contradiction between the comprehensive development of man and the means guaranteeing the comprehensive development of man or the contradiction between the comprehensive development of man's social needs and the actual level attained by the comprehensive development of man's social needs is the basic contradiction of socialism. This is because 1) Under modern conditions, when determining the basic contradiction of socialism, it is necessary to take into account the ever-expanding role played by the "principal" factor. Under socialist conditions, the basic contradiction is found in man's activities and in the relations between man's activities and social needs; 2) one of the important tasks of the on-going reform is to carry out the transformation of society and the consciousness of the individuals. While carrying out the transformation of the consciousness of the individuals, it is necessary to give full scope to man's ability. Without giving full scope to man's ability, it would be impossible for people to perfect socialism and observe the basic principles of socialism. In this sense, in the entire course of building communism there will always exist the contradiction between the growing demand on giving full scope to the ability of laborers, which is put forward by the social development, on the one hand and the lack of prerequisites for giving full scope to the ability of laborers in all spheres of the social life on the other. This contradiction is the basic contradiction that exists at all stages of the development of the formation of communism.

The Soviet scholars believe that studying the question of the basic contradiction of socialism is a difficult and complex task. The debate on this question will continue.

Flash of Life

HK1510021588 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 pp 45-46

[Article by Liu Baiyu 0491 4101 5038]

[Text] Einstein said: Death is eternal freedom. I came to grasp the profound meaning in this statement one day last year.

...Quietly, I walked down the steps leading to Lenin's tomb built with rosy marble. The dome was not lit, and shrouded with solemnity in all its dimness. I walked up to the crystal casket in which Lenin was laid. Lenin—this infinite universe was lying there in serenity, lit only by a few dark red spotlights. I felt that this universe was still in movement, and in his bulging forehead, he seemed to be indulged in deep thinking, and would rise at any time. He was weighing the heart of everyone that passed him by, while instilling a spiritual force into those who deserved it.

Coming out of the mausoleum, we went straight into the Kremlin, then got into an old and simple house, Lenin's one time office. ...One severe winter day, Klara Zetkin, the German woman revolutionary, came to visit Lenin. Politely, Lenin went up to the door to show her in, and asked her to take a seat by his desk. Zetkin found that Lenin was looking pale, in deep sorrow. She was very much surprised and asked him softly: "Are you all right?" Lenin said: "Did you see those people?" Yes, she remembered now, she had just passed through a crowd of people in the corridor, whom she had neglected. Lenin then told her: "They are Russian peasants coming from several hundred miles away. Haven't you seen that they are all barefooted, and their feet are all frozen and black and blue. You see, they have come all the way to see me, because they believe that I could solve their difficulties, and they need boots badly."

Under his broad forehead, Lenin's eyebrows were closely knitted, and his eyes were filled with deep feelings. He continued: "How nice it would be if I could initiate a large shoe-making factory, so that everyone in the USSR may have a pair of boots..." That incident took place in 1920, and what a year of sufferings it was! A new history had barely begun, with a war still going on. In that particular meeting with Klara Zetkin, Lenin talked of nothing else but people's livelihood. Now, when I stood in that not so spacious office, I could feel his heart still beating lightly, which was filled with kindness. Lenin said in those days: Our people should never forget such days in the future.

We came to Lenin's residence, and entered into Nadezhda Krupskaya's workshop. We knew that Lenin's marriage had been harmonious and happy, and the couple felt profound love for each other. Krupskaya was as wise and courageous as beautiful. When Lenin was on his deathbed, she held his hand, but then gradually she found his hand grow cold, and stiff...thus a great life phased out. That was how Lenin passed away, and it seemed at that particular moment, Krupskaya's life came to a standstill, too. She kept sitting beside Lenin's body for five days and nights, with her senses numbed in utter grief and despair. Finally, she determined to stand up again despite her grief, and said to herself: I must carry on Lenin's cause.

The Russian lady serving as our guide, a graceful researcher, told us: People used to think that Lenin had died of a bullet from the class enemy, but it was really

not so. He kept on working day and night when he needed a good rest; and what he had for his daily food was a small ration of black bread like the rest of the citizens when he needed nourishing food most. Then, he suffered from hemiplegia owing to long-term exhaustion, and finally died of a cerebral hemorrhage. Now we were shown Lenin's living quarters; all of a sudden we were guided into the inner depths of Lenin's soul. She said: A great man was staunch and courageous; for him, however, there were also times of sorrow and even despair. Lenin had more than once been betrayed and slandered by his friends; but Lenin said: Even in such hardships and setbacks, I have never once doubted the journey I have gone through. I would never think of exchanging my life with a mediocre one.

There were also tragedies in Lenin's life. In a letter addressed to her friend, Krupskaya wrote: "I heard that you have a child now. Your child belongs to me, too. It's a shame that you are not here with me. Anyway, I can imagine the child running toward me spreading his little hands, and I want so much to hug him. I love children, and they love me, too. Perhaps, our greatest mishap is being childless. If there has been a tragedy in our life, then this is it."

Slowly we walked into the bright and spacious living room. Lenin loved to sit there after work, and to listen to Gereyav, the pianist playing the piano. How Lenin loved Beethoven's "Appassionata," and the music often moved him to tears. Now, when I stood in the room filled with bright sunshine, I seemed to hear a sonorous voice. Precisely at that instant, I felt like an astronaut piercing through serene space, and an inspiration struck me, namely, the eternal freedom of one's life. Was not the awakening of Krupskaya from her grief precisely the resurrection of Lenin? In the course of the tour, the Russian female guide moved us to tears and lit up our lives; was that not also the resurrection of Lenin in our souls? From the angle of Physics and Scientific Philosophy, Einstein believed: Death is eternal freedom. Perhaps, he referred to the truth that the end of an individual life guarantees the continuation of the life of a species. From a spiritual angle, eternal freedom means the release of all the energy contained in matter. When physical life comes to an end, spiritual life continues to burn; whereas this spiritual life will continue to indefinitely exert its effects on a grand and solemn cause. This, I believe, is precisely genuine eternal freedom.

On an autumn evening of late, I sat quietly in unlit darkness, enjoying once again Beethoven's "Appassionata," and my thoughts suddenly flew back to that very statement of Einstein, and it dawned upon me that the genuine eternal freedom of one's life lies precisely in the brilliant flash of one's resurrection in the hearts of thousands upon thousands. At that instant, I seemed to see the flash of Lenin's life amidst the beautiful melody of Beethoven.

Sincerity: Character and Courage of Critics and Writers

HK3110110588 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 7, 1 Oct 88 pp 47-48

[Article by Ning Zongyi 1337 1350 0001]

[Text] Although Mr Lu Xun suggested as early as 1935 that the book "How Did Gogol Write?" (written by Wei-lie-sa-ye-fu [7614 0441 5646 5102 1133]) be translated into Chinese, it was not until 1980 after a lapse of 45 years that the Chinese version of this book was available to the readers. It seems to me that both Mr Lu Xun and the translator saw in this book Gogol's writing experience, that is, "what to write" and "what not to write." Perhaps because I was reading it in a different light, I perceived from this book the question of the sincerity of persons engaged in literary research (the critic) and the sincerity of the writer.

It is by no means easy for persons engaged in literary research not to exaggerate the merits and cover up the shortcomings of a world-renowned writer. It takes a kind of theoretical courage to do so. We may say that only when we have this courage can we show our sincerity. If only you could care to spare some time to read this thin book, you will be shocked to find Wei-lie-sa-ye-fu, the renowned Soviet expert on Gogol, showing such "disrespect" to the writer. Take a look at the following lines: "In his everyday life, Gogol's behavior reminds one of He-lie-si-ta-ke-fu [6378 0441 2448 1044 4430 1133], Qi-qi-ke-fu [0047 0047 4430 1133], Luo-shi-te-lai-fu [5012 1102 3676 0171 1133] and Ma-ni-luo-fu [3854 1441 3157 1133]." "In him one finds the convergence of everything filthy. They are in such variety that everything one expects to find is there." He noted, for instance, that Gogol was not only a regular hanger-on and never paid for his meals but declared this fact to all his friends. Moreover, it was said that Gogol was a snob with eyes only for those above him, that he was irresistibly charming toward those in high positions, but was "cold as ice" toward his poor friend Ji-mu-qin-ke [1323 1191 2953 4430] who used to be very close to him. At a glance, it seems that the author was trying to expose the dark secrets of Gogol. One who had not read the book thoroughly might get the wrong impression that this master of Russian literature who had left us such a good impression was really a rascal underneath.

However, if we were to think a little more deeply, we would discover that this leading expert on Gogol had not lost his rationality in his treatment of Gogol, the great man of letters and the pride of his own nation. He did not idolize the great novelist. To Wei-lie-sa-ye-fu, this literary giant was very human after all. This is an important aspect of the author's all-round and dialectical description of Gogol's mind. This reminds me of the criticism by two noted critics of the Tang and Song period of the "great master" Han Yu [7281 1937]. Su Shi [5685 6524] and Zhu Xi [2612 3588] both had great respect for Han Yu, but neither attempted to conceal

their opinion of him. Su Shi once said frankly: "Han Yu practiced the way of the sages. However he was doing it because of the good name, not really because he enjoyed doing it." Zhu Xi even bluntly said that Han Yu "was only writing something for people to appreciate." Which was in fact quite true, for this great master of the classics did indeed have a vulgar side to his character. He talked glibly about the orthodoxy of the Duke of Zhou and of Confucius, and sanctimoniously stressed the importance of righteousness and morality, qualities not reflected in his life and habits. He hankered after fame and position, loved money, indulged in pleasure, fawned on those in high positions.... In short, he did not practice what he preached. For this reason, he was criticized by sincere moral crusaders of his time and later generations (from Wang Anshi [3769 1344 4258] to Wang Chuanshan [3769 5307 1472]). All these show that if what we have before us is a serious critic, he will refuse to worship a great writer cheaply like an idol. Serious critics all have the admirable attitude of seeking truth from facts. They are always sincere and objective. They never make condemning remarks or undeserved praises. This attitude of research and criticism is itself a scientific spirit. It is with this attitude that Wei-lie-sa-ye-fu had not rashly gone along with the excessive remarks made by Belinsky in his highly authoritative "Letter to Gogol." On the question of "Gogol's subjective sincerity" alone, Wei-lie-sa-ye-fu had publicly stated that Belinsky's accusations were totally unfair. He said: "If he had really wanted to seek favors from his boss, why would he have to cudgel his brain and gone through such agony over the sequel to *Dead Souls*?"

This sincere and honest attitude of Wei-lie-sa-ye-fu's in daring to challenge the authority is really admirable.

In this connection, I think there is yet another more important aspect, which is that the sincerity of the researcher and critics particularly requires that the writers provide them with the necessary materials to enable them to conduct sincere study. Gogol was great because of his frankness, and it is because of this that Wei-lie-sa-ye-fu could analyze Gogol's soul with such factualness and ruthlessness. Gogol told the world: "To tell the truth, all my recent writings are accounts of my mind.... In my characters I have imbued not only their natural filthy behaviors but also my own ugly deeds." Gogol called his works "accounts of my mind," which was a very apt description. The feelings, moods, ethical mode, thinking habits and so on that constitute the basis of the writer's own spiritual culture all provide those who study his life and works with first-hand materials. Gogol's frankness is also seen in the fact that he made it unmistakably clear that the filthy behaviors one finds in his characters also embody his own unsavory deeds. Here, Gogol's amazing frankness was not intended as "a revolution in the depth of one's own soul," but was his ruthless exposure of his own unclean soul. Of course this was also a great act of confession. This cannot but remind me of the situation in our current literary scene. Honestly, I do not think

that the minds of each and every one of our contemporary writers are as sacred as they professed. To put it bluntly, I have yet to meet a writer who dares to confess that there are traces of his unclean soul in the "negative characters" depicted. Also, I have rarely come across writers who are so ruthless in analyzing their soul when discussing their creative experience.

Gogol's frank confession was intended not so much to exhibit his own unsavory deeds as to "wage a struggle against them in order to eradicate them." Gogol was indelible because he was able to make a complete break between himself and the despicable things he saw. This spirit, like his sincerity in ruthlessly dissecting his own soul, originated from his sense of mission as a writer. When he was still very young, he had set to fire a long novel entitled *In Power* ("zhizheng," 1013 2398], which was the result of a lot of hard work, because he did not

think the novel had not shown his sense of mission as a writer. Later he set to fire the comedy "The Third Class Fu-la-ji-mi-er [4569 2139 1015 4717 1422] Medal." He had burnt the manuscripts of Chapter Two of *Dead Souls* about twice (excluding the one time before his death). Herein lies the most convincing grounds—both written and spiritual—for unravelling the mystery of Gogol's soul.

Before he departed this mundane world, Gogol deeply moved the great French poet Pierre-Jean de Beranger (1780-1857) for having "burnt his manuscripts to stop his infatuation." In his autobiography he said: "Nothing can inspire a writer more than the courage to throw one's own manuscripts into the flames in the fireplace." Indeed, Gogol's entire creative life was illumined by this noble flame. Why cannot this flame light up the creative minds of our contemporary writers?

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